

DEPARTMENT OF DEFENSE FISCAL YEAR 2009 BUDGET

HEARING BEFORE THE COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES ONE HUNDRED TENTH CONGRESS SECOND SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 27, 2008

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DEPARTMENT OF DEFENSE FISCAL YEAR 2009 BUDGET

WEDNESDAY, FEBRUARY 27, 2008

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 10:08 a.m., in room 210, Cannon House Office Building, Hon. John M. Spratt, Jr., [chairman of the committee] presiding.

Present: Representatives Spratt, Edwards, Allen, Becerra, Doggett, Berry, McGovern, Scott, Etheridge, Hooley, Bishop, Moore, Ryan, Barrett, Conaway, Tiberi, Smith, and Jordan.

Chairman SPRATT. Let me open the hearing by welcoming a new member, Jim Jordan from Ohio recently elected. We are glad to have you.

I would also like to welcome our witnesses. I beg your pardon, Mr. Ryan.

Mr. RYAN. Thank you. I appreciate it, Chairman. I too just wanted to welcome our colleague, Jim, to the Committee.

Just a couple of things on Jim. He is a champion wrestler. You can just kind of tell by looking at his ears. And he graduated from the University of Wisconsin with a degree in economics. He graduated from Ohio State with a masters in education; Capital University with a law degree. He served both in the Ohio General Assembly and the Ohio State Senate. He is a great addition to our Committee and we are all looking forward to working with you, Jim. Welcome to the Committee.

Chairman SPRATT. I would also like to welcome our witness the Deputy Secretary of Defense, Gordon England who has been here before and we appreciate his coming again. The Under Secretary of Defense, the Comptroller, Tina Jonas who is an alumnus of the Hill and we are glad to have you. And the Vice Chairman of the Joint Chiefs of Staff, General Cartwright, you honor us with your presence. We appreciate your coming also.

They are here of course to discuss the 2009 Defense budget. On behalf of the Committee we appreciate your coming, but above all we appreciate your service to our country.

Our purpose is to gain a better understanding of the President's 2009 Defense budget. What it includes, what it excludes and what it portends, especially for the long-run future.

There are two particularly noteworthy features of the Defense budget that we would like to explore with you this morning. First, the absence of a full year estimate for the war. There is only a \$70

billion so called place holder for war operations in 2009 and nothing, nothing at all, no additional amount beyond 2009.

Second, the so called based Defense budget appears to us to decline in real terms beyond the budget year, 2009. This seems to us at odds with the Administration's Defense plans as we understand them.

We need to understand better your real, most likely budget if we are going to make the trade-offs and balance the priorities and put this budget on a sustainable fiscal course. We will all claim that our target is to balance the budget by 2012, but that balance will be a bogus objective if we don't have good input, we won't have good output.

Without that understanding whether it be for the war or for base day-to-day Defense the so called base budget, we will be taking stabs in the dark as we try to plow the path to a balanced budget and it will be much more difficult than it needs to be.

In fact, gaming the process helped put us in this hole. There are lots of reasons we are deep in deficit now. No question that the recession took its toll and could take its toll again. There is no question that the war has been costly or that the 9/11 episode was costly. All of these things have contributed.

But you may recall that Secretary Rumsfeld deferred the submission of his first real Defense budget saying he needed first to consider it in terms of what he wanted to do by way of transformation. But when Secretary Rumsfeld finally submitted his real budget, I think that was in June, he acknowledged before the House Armed Services Committee that one reason he had delayed or deferred was that the President had asked that the tax cut bill come first.

President Bush in effect told us that we could have guns and butter and tax cuts too and never mind the deficits. But in three years by 2013, the budget's bottom line was no longer a surplus of \$236 billion as it had been in 2000, but a deficit of \$413 billion. And it appears to us that this same attitude underlies much of the budget submitted this year.

It is with this against this back drop that we review the Defense budget. We have huge deficits, an economy that is or could be headed towards recession, and a bow wave of baby boomers all of which will put enormous pressure on the budget's bottom line. There are monumental challenges in front of us and the first order of business today is to get a complete understanding of our Defense plan, which after all constitutes the lions share, far more than half, of all discretionary spending.

Since the year 2000 the Defense budget has ridden the crest of a long wave. Experienced it's largest, longest sustained build up since World War II. Spending, or outlays, on National Defense totaled \$675 billion for 2009 and measured in 2008 constant dollars rank as the highest Defense budget since World War II, surpassing the peaks of Vietnam and Korea.

Spending reaches this high level even though the budget includes only \$70 billion in new budget of authority to finance just a portion of the total cost that we are likely to incur in maintaining the substantial forces in Iraq and Afghanistan in 2009.

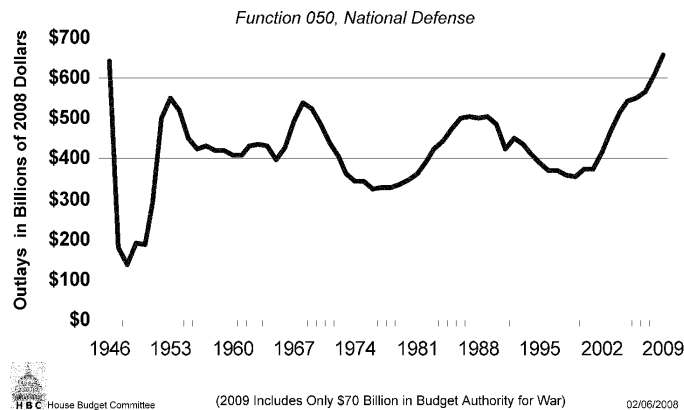
Looking beyond the budget year, projections reflect a \$61 billion nominal cut in Defense for 2010 and cuts below the level needed

to keep pace with inflation thereafter. There is no funding after 2009. No funding for Iraq and Afghanistan. And the base budget appears to us to be cut in real terms, and that just seems to us to be at odds with reality.

Costs have increased every year for operations in Iraq and Afghanistan and we believe the cost will probably continue at some level over the five-year budget window which we work with. For the base budget current Defense plans call for increases above inflation, not decreases. CBO in an update to its report on the long-term implications of current Defense plans which was issued in December concluded that current Defense plans excluding the war could cost billions more per year than the Administration's budget shows.

Let me just show you some slides to sort of wrap up my point and to give context about what we would like to talk about this morning. Jose, if we could just take them one by one, please, sir.

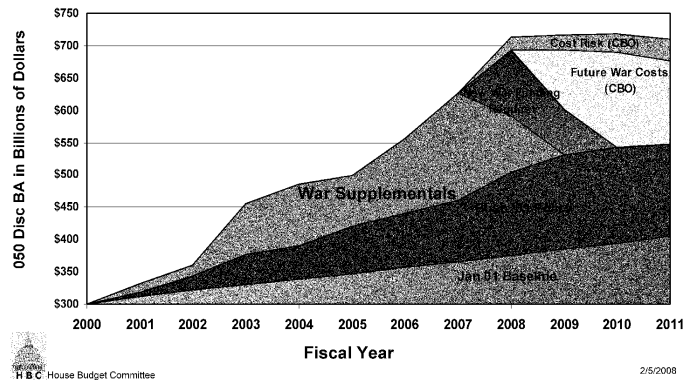
2009 Defense Spending Highest Since WWII Even Without Full War Funding



That is number four, I believe. This shows that even without full war funding, with only the \$70 billion provided for 2009, the level of expenditure in real dollars, 2008 dollars is higher than Vietnam, higher than Korea, higher than any time since World War II. It is a substantial sum of money.

Second slide.

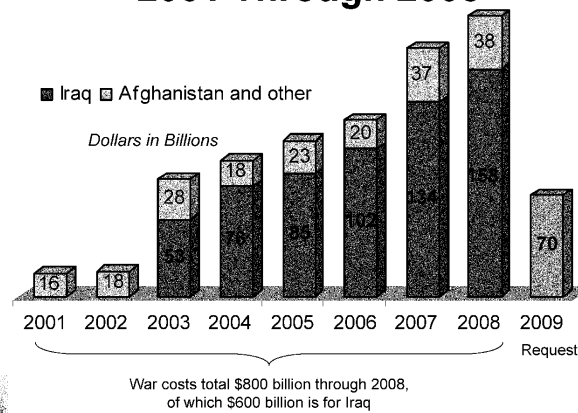
Increased Cost of Defense Under Bush Administration²



This shows the basic budget in layer cake fashion which we put together along with CBO. The bottom sliver is the baseline budget when the Bush Administration came to the office. The next layer is the Bush 2009 policy additions. And the next layer, several layers, are the future war costs, which I will come back to. But you can see from 2000 until 2010 or 2011 the Defense budget has more than doubled.

Next chart.

War Costs Total \$800 Billion From 2001 Through 2008³

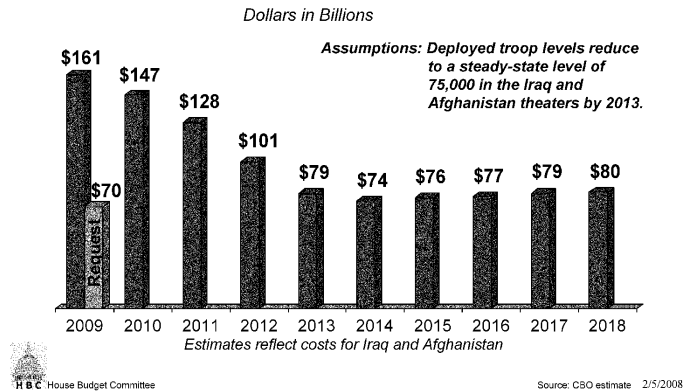


And this shows you what the war costs have been from 2001 through 2008. This would include the operations we had over Iraq during the period before the between the Persian Gulf War and the invasion of Iraq in 2003. Comes to a very substantial sum, over \$800 billion. And of course the \$70 billion bar there at the very far

right, one of the bookends, is in contrast to the \$196 billion that was required last year.

Next chart.

CBO Calculates Future War Costs Totaling \$1.0 Trillion over Ten Years ⁴



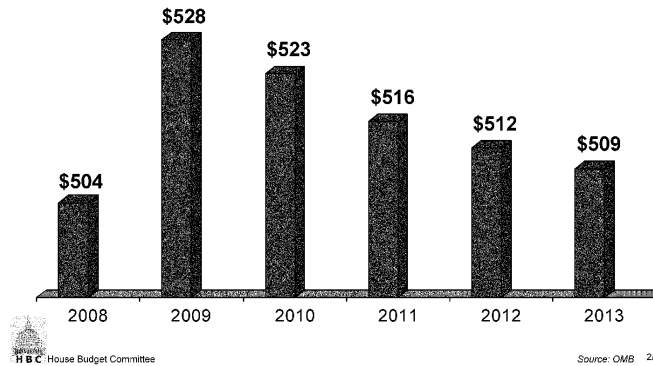
We asked CBO, we have asked DOD, but you have declined to give it us because of the variables involved in projecting this number. We said to them, Let's make an assumption: That we draw down the force levels that are there today gradually so that by 2013 in both theaters, Iraq and Afghanistan there is 75,000 troops, given the fact that nearly half that number in Afghanistan today and are likely to be there for some time. That is probably a pretty conservative assumption.

But we assume that by 2013 the troop level would hit 75,000 in both theaters together and then would stay at a steady state for the rest of the projection period. We added up the total amount of the continued deployment in both of those places over the next ten years and the total comes to a trillion dollars on top of the \$800 billion already expended, is a substantial sum of money.

Next chart.

National Defense Funding Declines⁵ in Real Terms Over Five Years

BA in Billions of Constant 2008 Dollars



In addition, as we looked at last year's budget and then again at this year's budget, we found that there was a trend here. Namely, that in the out years beyond the current budget year, there was a downward decline in the budget for the base Defense operations. Day-to-day Defense operations. It is not huge, but it seems to be at odds with what we understand to be the likely course of the Defense budget. And when I asked Secretary Gates about this at the House Armed Services Committee, he indicated that this was the product of a negotiation with OMB. And it did result, if they complied with OMB's growth Defense growth objectives, it would amount to a decline in real spending on National Defense.

So one of the questions we have for you this morning is, is that a realistic forecast of likely Defense spending in the foreseeable future. Next chart.

The Direct Budgetary Costs of the Iraq War alone Exceed \$600 Billion⁶

(Does not reflect the costs of financing the war through borrowing)

Fiscal Year	Cost
2003	\$53 Billion
2004	\$76 Billion
2005	\$85 Billion
2006	\$102 Billion
2007	\$134 Billion
2008 Request	\$158 Billion
Total Direct Budget Costs	\$608 Billion

H B C House Budget Committee

Source: Congressional Research Service 02/5/2008

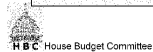
This shows you that the direct budgetary cost of the Iraq War alone exceeds \$600 billion. That includes a request for 2008 and it assumes it will be appropriated. It comes to \$608 billion, a substantial sum of money in sunk cost.

Next chart.

National Security Budget

(Budget Authority in Billions of Dollars, including Supplementals)

	2008	2009
	<u>Estimate</u>	<u>Request</u>
National Defense	\$693	\$611
DHS (non-050)	\$40	\$39
Other HS (HHS, Justice, Ag)	\$5	\$7
International Affairs	\$39	\$38
Veterans Programs	<u>\$88</u>	<u>\$91</u>
National Security	\$ 866	\$786
Percent of GDP	6.1%	5.3%



Source: OMB 2/25/08

We frequently here today talk that the Defense budget, President Bush came to the Citadel and made a speech during his campaign and then went back again and made another Defense speech. But he indicated then that we needed to get Defense spending up over and above three percent of GDP. Three and half to four percent was what he proposed. Well it appears to us if you look at National Security broadly considered, not just function O5O for the Pentagon, but of course the Nuclear Program at DOE, all of function O5O. If you look at international affairs or much of it which goes to National Security and if you look at Veterans programs, which after all are a collateral cost of maintaining a substantial military over the years.

You get a total of expenditures of between around \$800 billion and as a percentage of GDP that is 5.3 percent of GDP already. There is a lot of talk about having a resolution that would dictate that spending be at least 4 percent of GDP. As we see National Security and you continually define it that way yourselves, Homeland Security, National Defense, Veterans Affairs is well above 4 percent. Already it is 5.3 percent.

Next chart.

Cost of the 1991 Gulf War

Gross Cost	\$61.1 Billion
Less: Allied In-Kind Contributions or Equipment Not Replaced	\$-10.6 Billion
Less: Allied Cash Contributions	\$-48.4 Billion
Net Cost to U.S. Budget	\$2.1 Billion



H.B.C. House Budget Committee

Source: DoD 12/12/05

And this kind of rubs it in. It is not really fair. You might call this the value of having allies. This is one reminder of what the first Persian Gulf War cost of us because we had contributing allies. We had the Japanese contributing, we had the Germans contributing. If they didn't contribute troops they contributed real money and of course the Persian Gulf States put up substantial sums themselves. And the net cost to our budget was \$2.1 billion.

We are not suggesting you could pull that off again in today's episode in Iraq, but it does raise the question, to what extent are we trying to build new alliances and a new division of labor in the world so that our allies in different regions of the world share a bigger burden of the total cost of Defense.

Next chart.

Cost Growth in Weapons Programs: GAO

Table 3: Examples of DOD Programs with Reduced Buying Power

Program	Initial estimate	Initial quantity	Latest estimate	Latest quantity	Percent of unit cost increase
Joint Strike Fighter	\$109.9 billion	2,960 aircraft	\$206.3 billion	2,450 aircraft	26.7
Future Combat Systems	\$82.6 billion	15 systems	\$127.5 billion	15 systems	54.4
F-22A Raptor	\$31.1 billion	543 aircraft	\$65.4 billion	181 aircraft	189.7
Evolved Expendable Launch Vehicle	\$15.4 billion	161 vehicles	\$20.9 billion	139 vehicles	137.9
Space Based Infrared System High	\$4.1 billion	6 satellites	\$10.2 billion	3 satellites	315.4
Expeditionary Fighting Vehicle	\$9.1 billion	1,025 vehicles	\$11.1 billion	1,025 vehicles	35.9

Source: GAO analysis of DOD cost. Images provided in their respective order: JSF Program Office Program Manager, Joint of Aches, U.S. Army Future System Program Office (left), D-2000 USS, Lockheed Martin, right) © 2005 The Boeing Company, Lockheed Martin, Space Systems Company, Boeing Dynamics Land Systems.

Well this should give you another ground for wondering if the out year numbers are good and that is the so-called SAR reports which is summarized periodically by GAO show that all of our major weapon systems are experiencing substantial cost growth, particularly those like the F-35, the F-22 of course has been a very expensive airplane to buy. The Navy is now buying a number of ships like the CVN-X Carrier which have a very high front-end cost on the theory that the operational cost and the life-cycle cost will be substantially less. Let's hope it works out that way, but we have seen substantial overruns in the acquisition of military, on your watch, on everybody's watch. It is the nature of the beast. I am not blaming—it is your lap it just happened in and nobody seems to have been able to contain the cost of major weapon systems.

That just gives you the overview of why we are concerned this morning. We didn't come here to berate you. We appreciate your service to the country, but we need good numbers. We need a good firm basis for projecting what likely costs for Defense are going to be so we can face squarely the hard decisions we have got to make if we are indeed genuine about trying to get this budget on a sustainable course back in balance by 2012.

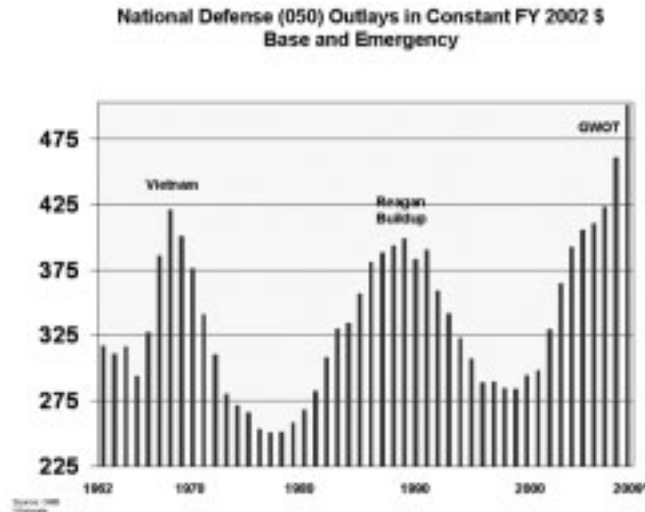
Thank you for coming, but before your testimony I would like to recognize Mr. Ryan for a statement.

Mr. RYAN. Thank you, Chairman Spratt. Welcome back, Secretary, Deputy Secretary England and welcome General Cartwright and Ms. Jonas to the Committee. I appreciate the work you do and the monumental task that you have managing an organization with over 3 million employees, facilities in over 5,000 locations and 163 countries and a budget of over a half a trillion dollars.

I also appreciate the work you do in managing an agency that is attempting to transform from a cold war footing to a more agile joint force while prosecuting a very challenging global war against terrorism. And I am particularly grateful to the men and women who put on a uniform each and every day and answer the call to protect our freedom while placing their lives on the line in places far away from their families and loved ones.

I believe that providing for our national security is the highest obligation of the federal government.

And if you could call up slide one, please.

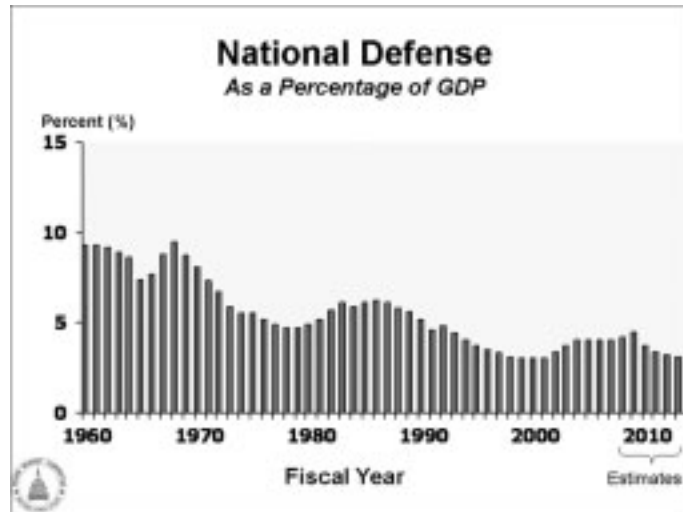


The dramatic Defense cuts of the 1990's left the Department of Defense ill-equipped to meet the new challenges we have faced over the last decade. I would hope, however, that with the funding levels provided since 2000 and an increase of over 80 percent to the base budget, the Department is getting on a more sound financial ground as we prepare to enter the next decade and the new challenges it will bring.

The war on terror has been very costly, both in the sacrifice made by our fighting forces and in dollars, but not as costly as enduring the alternative, inaction in the face of adversity. As a member of this Committee, I have been and will continue to be supportive of providing the Department the fully funding it needs to continue to prosecute this war. I am disappointed, however, that the majority has failed to act on the President's request of over one year ago for supplemental funding.

I am also disappointed, though not surprised given the circumstances, that the Administration only requested a portion of funds for the war in 2009. This Committee has called for transparency in regard to war funding both in the Administration's request and in the budget. Clearly, there is still room for improvement on this front. So it is my hope that we will use our time today to gain a better understanding of what the Department's 2009 supplemental request will be.

And if you could pull up number seven, please.



This just gives you in perspective of where we are. And this is a real apples to apples comparison of National Defense spending as a percentage of GDP. We contributed more as a percentage of our economy under the Carter Administration than we are today, and we are facing a war that is global in reach. A war that is going to cost us a lot and a lot of time.

And so I think it is important to put these things in perspective. I think it is important to consider the fact that this is our highest priority for our nation, for our federal government, but at the same time given all the dollars involved and all the sacrifices that we see from our men and women that we represent, we need to have more transparency in the way we spend our constituents dollars.

And with that, I welcome our witnesses. Thank you.

Chairman SPRATT. Thank you, Mr. Ryan. I ask unanimous consent that all members who did not have a chance to make an opening statement be able to submit one for the record at this point and Secretary England, General Cartwright, Secretary Jonas, you can submit your full statement for the record. We will make it part of the record so that you can summarize it as you see fit.

We again thank you for coming and the floor is yours. We look forward to your presentation.

STATEMENT OF THE HONORABLE GORDON ENGLAND, DEPUTY SECRETARY OF DEFENSE; ACCOMPANIED BY: THE VICE CHAIRMAN OF THE JOINTS CHIEFS OF STAFF, GENERAL JAMES E. CARTWRIGHT; TINA JONAS, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

STATEMENT OF GORDON ENGLAND

Mr. ENGLAND. Chairman Spratt and Mr. Ryan, members of the House Committee on the Budget. First of all, thank you very much for the opportunity to be here. We do appreciate the opportunity to come and discuss the budget and the war cost with you. I will tell you for me I always, first of all, I learn something, it is always in-

formative for me and I hope it is a benefit to this Committee. So I thank you for the opportunity to be here.

Chairman SPRATT. We will give you a package of our charts to take back to the Pentagon with you. [Laughter]

Mr. ENGLAND. It is a delight to have General Jim Cartwright with us, you know, because this is the first time with me before the Budget Committee that I have the General with me. So I welcome him and also to have Ms. Tina Jonas back with us again today.

I will try to respond to a few of your comments. There will only be one opening statement, Mr. Chairman, and that will be my opening statement. And then because I know time is short we will get immediately then to questions and dialogue.

I do want to comment that the President's base budget as you know is \$515.4 billion. But you need to know, I mean that is a lot of money, but on the other hand, we do respond to the threat in today's environments. I mean this is in our very best estimate what it takes to defend this nation, defend our freedom and liberties and we are in a very complex security environment. It is distinguished by a number of very prominent factors.

First of all, of course, terrorism and the war that we are in and our magnificent people are fighting every day. We still, obviously, concerned about the whole proliferation of WMD, failed and failing States, and emerging powers whose intentions are unclear.

So we are not only fighting the war, but we are also, obviously, trying to defer conflicts in the future and that requires military capabilities to deter future conflicts. Now each of those threats pose their own unique challenges and each demands a certain set of capabilities, but our total security relies on the comprehensive approach and that is distinguished by a balance set of capabilities for the entire spectrum of challenges. And that is what we try to do is balance across this entire capability.

Now when appropriated the funds that we have asked for will provide the resources necessary to execute the national military strategy. Now \$515.4 billion is a lot of money, but it does have to be considered. I have heard two sets of numbers today in terms of historical context. I mean we look at it in terms, obviously, by our Department of Defense spending. It has grown since 9/11 and we are now at about four percent of GDP. I think that is the charts that Mr. Ryan showed.

Now that is, however, as the charts showed the lowest invested by this nation in time of war. I think in modern history at least, because while imperfect for point of reference it was about nine percent during Vietnam; 11.7 percent during the Korean War. So, fortunately, while our costs have gone up to defend the nation, so has the basic economics of the nation have grown considerably during that period of time. So we are to some extent a beneficiary of a vibrant economy, but we are also less of a cost for the economy than we have been in past conflicts.

Now the question you raised about what is the cost in particular the cost of war relative to the \$70 billion. I think Secretary Gates was clear on his testimony to both the SASC and the HASC. In addition to the \$515, the Secretary stated at that time in addition to the \$515.4 base budget as you know every request includes \$70 bil-

lion in an emergency bridge funding to take us, to bridge us, until we know what the right number is.

Now the total requirement as you commented will indeed be larger. And later this year, once we have an accurate appreciation of the requirement, we will have a more detailed request submitted to you.

Now when Secretary Gates was pressed on this matter, he offered a number of \$170 billion as a total requirement, but he also said it was definitely imperfect and imperfect for a number of reasons, which is why we did not turn this number in earlier, but instead turned in a bridge.

First, as mentioned, we do not yet have the appropriation for Fiscal Year 2008 in terms of our supplemental. So we have of that request we still have \$102 billion outstanding. Frankly, we do not know when we are going to get it or if we will get that amount. And that will cause increased cost and disruption, but of course depending if we don't get it then of course that will change completely as we go forward in your 2009 estimate. And then in addition what adjustments will be made from the upcoming recommendations that General Petraeus, which will be in about month. General Petraeus will come in and brief the Congress so that could indeed result in some significant change going forward.

But in addition, as you know, there is definitely going to be a change in Administration and the fact is of this supplemental three quarters of it will be spent during the next Administration. So in the next Administration will, obviously, have some say about how they view this and what the expenditures should be.

So I would and as we go forward I would like to say what is most important to us, and I think what is most important to the nation and to our men and women who are on the front lines is I would urge a Congress to support, first the budget request, but also to expeditiously appropriate the outstanding balance of the year's war funding request so that we can fund our troops and provide them the support that they deserve. And importantly, to reduce any disruption of effort associated with this impending change in Administration.

I mean last year when we had continuing resolutions, we did not have our war funding, that was hugely disruptive. And now we are about to go through a period of planned disruption, that is a change of Administration, people leave, policies change. And if we have an uncertain budget at that time I can tell you it will be extraordinary for the people who replace me and other people in the next Administration to carry on in any efficient and effective manner.

So I would urge the Congress, particularly this year, to act expeditiously. I do want to comment that while we are all debating the budget, there are men and women who are on the front lines standing the watch securing our freedom and liberty, which is what the Department of Defense is all about. And so while these are important discussions, we should not lose sight of the fact that we do have people deployed every day and we do need to support them. And I believe that the American people do want to give them our full support.

So we are prepared to have a dialogue, answer questions. Hopefully help this process along today. And so Chairman Spratt, Representative Ryan and members of the Committee, we look forward to the dialogue. And we thank you for the opportunity to be here for that opportunity.

[The prepared statement of Gordon England follows:]

**Statement for the Record by the Honorable Gordon England
Deputy Secretary of Defense
Before the House Committee on the Budget
27 February 2008**

Chairman Spratt, Representative Ryan, Members of the House Committee on the Budget,

I deeply appreciate your continued support of our military and thank you for the opportunity to meet today and discuss the President's Fiscal Year 2009 Defense Budget and war costs. We share a common, fundamental goal; the first obligation of any government: the defense of the nation. The budget request before you is carefully reasoned and designed to achieve that broad goal as well as specific goals set forth by the President: to prevail in the current conflict, to prepare for the entire range of irregular and conventional threats that will challenge the nation in years to come, and to improve the quality of life for our servicemembers and their families.

The Vice Chairman of the Joint Chiefs of Staff General Cartwright and the Under Secretary of Defense (Comptroller) Ms. Jonas are with me today, and the three of us look forward to your questions.

Before addressing the components of this budget in detail, I think it useful to describe again the strategic landscape and challenges confronting the nation: the essential context for any discussion of national security and defense spending. Additionally, I believe it worthwhile to describe briefly for you the rigorous process that generates the Department's submission. With an understanding of the strategic imperatives that inform

our efforts and an appreciation of the actual process as a foundation, it's possible to better understand both the scope and the complexity of the Department's budget request.

Strategic Landscape

We live in a dangerous world; one in which the many security challenges confronting the nation can be expected to endure, and indeed, likely to grow in complexity and magnitude. Most would agree that we are now engaged in a long war. For the extended duration of this conflict, the demands levied upon us will ebb and flow, our successes will be leavened with occasional setbacks; ultimate victory will be long in coming, and our endurance and resolve will be tested.

The exceedingly complex security environment in which the nation is obliged to conduct its affairs is distinguished by a variety of prominent challenges, among them:

- Terrorism, extremism, and violent jihadism;
- Ethnic, tribal, and sectarian conflict;
- Potential weapons of mass destruction proliferation;
- Failed and failing states;
- Emerging powers whose intentions are either uncertain or unknown.

While terrorism will remain the dominant threat to our security for some time, each of the threats listed above is significant and poses its own unique challenges; together, they constitute a significant threat to our interests. While each demands a discrete set of

capabilities, prudence demands that we pursue an altogether comprehensive approach distinguished by a balanced set of capabilities. As is often said, the one certainty of the future is its unpredictability. Thus, with that dictum in mind and history as our guide, the military is compelled to prepare for the entire spectrum of challenges.

The clear lesson of the post-9-11 era is that the protection of America's security, prosperity, and freedom demands unwavering commitment to an active, robust defense posture. The base budget request reflects that sensibility. It is also clear that while the defense of the nation and its interests, both at home and abroad, has never been the exclusive purview of the military; the challenges we confront today defy an exclusively military solution and demand an integrated approach. Secretary Gates has said that, in the future, "Success will be less a matter of imposing one's will and more a function of shaping behavior—of friends, adversaries, and most importantly, the people in between.... But these new threats also require our government to operate as a whole differently—to act with unity, agility, and creativity. And they will require considerably more resources devoted to America's non-military instruments of power." Surmounting the nation's challenges and those of our friends around the world will require the intelligent, integrated application of all instruments of the nation's power.

Defense Budget Process

Be assured that the Department fully understands, and takes absolutely seriously, its fiduciary responsibility. Every budgetary decision is made with the clear understanding that we are obliged to spend the money of the American people wisely. To that end, the

Department has, over the years, developed a rigorous and refined budget process. It is a fully inclusive, exhaustive methodology whose ultimate product reflects the collective wisdom of the Department's entire leadership. Emblematic of that approach, the Vice Chairman of the Joint Chiefs of Staff and I chair a group called the Deputy's Advisory Working Group (DAWG), one of a number of horizontal integrating mechanisms composed of the Department's senior military and civilian leaders. It is an open, collaborative body that relies on the unique experiences, expertise, and perspectives of its members to achieve informed resource decisions.

In 2006, the Department implemented "capability portfolios" as a means to better inform resource decisions. Each portfolio groups related capabilities together to promote visibility and facilitate objective resource decisions. This approach contributes to a more reasoned and practical trade-off within a given capability set as required. Likewise, the DAWG, functioning at a level above the portfolio managers, does the same across the entire gamut of capabilities.

The mechanisms described above are designed to account for relevant factors and to enable the soundest resource decisions possible.

FY 2009 Base Budget

The President's FY 2009 base budget request of \$515.4 billion provides the essential resources necessary to execute the National Military Strategy. Although the budget is admittedly large, its size needs to be considered in the terms of both contemporary

challenges and historical context. In 1945, as World War II drew to a close, the Department's budget as a percentage of Gross Domestic Product (GDP) was 34.5 percent. It has steadily fallen from that high ever since: During the Korean conflict it was 11.7 percent; in Vietnam 9 percent; and in Desert Storm 4.4 percent. The base budget request of \$515.4 billion represents about 3.4 percent of GDP. While total defense spending has increased significantly since 9-11, at roughly 4 percent of GDP (when war funding is included) it remains the smallest percentage ever invested by the nation in its defense during wartime.

When appropriated, this budget will sustain an enterprise of immense scope and complexity: 2.9 million employees, a global footprint that includes 545,000 facilities at 5,300 locations in the U.S. and around the globe, 5.2 million inventory items and over \$1.5 trillion in assets. The request is a \$35.9 billion—or 7.5 percent—increase over last year's enacted level. When inflation is accounted for, the request represents an increase of about 5.4 percent. In summary, the base budget request:

- Supports the President's commitment to prevail in Iraq and Afghanistan and grows the U.S. ground forces required to do so;
- Maintains the high rate of military readiness commensurate with our nation's global responsibilities;
- Prepares for a wide range of dangers that may threaten the nation today and in the future; and

- Provides high quality health care for our all-volunteer force and their families.

While \$515.4 billion is by any standard a lot of money—Secretary Gates has referred to the Defense Budget as “staggering”—and altogether sufficient, when combined with required supplemental funding, to support the nation’s defense needs, it affords significantly less flexibility in spending than may, at first, be obvious. As is true in any budget, much of it is consumed by what can be considered fixed costs. Specifically, the President’s Fiscal Year 2009 Defense Budget requests:

- \$107.8 billion, an increase of \$9.6 billion over the Fiscal Year 2008 enacted level of \$98.2 billion, for pay and benefits to improve the quality of life of the 2.2 million active and reserve members. Notably, the Fiscal Year 2009 budget increases military pay by 3.4 percent and improves benefits for the all-volunteer force. It is instructive to note here that the requested funding for pay and benefits alone represents about 21 percent of the entire base budget.
- \$41.6 billion of the base budget is requested to maintain high quality health care benefits for 9.2 million military members and their families, working-age retiree members and their families, and Medicare-eligible beneficiaries. When taken together, the funding requested for pay and benefits and health care constitutes nearly a third of the base budget. While these are vital, fundamental requirements reflecting our deep commitment to our people, their sheer size illustrate well the immense proportion of the defense enterprise. On the subject of health care, it’s appropriate to note that the Department continues to believe

that increases to the TRICARE out-of-pocket costs for working-age military retirees are necessary to ensure that military health benefits remain affordable and sustainable. To that end, legislation providing an additional \$1.2 billion in resources and recommending enactment of the recommendations of the Task Force on the Future of Military Health Care will be submitted.

- \$158.3 billion, an increase of \$14.9 billion over the Fiscal Year 2008 enacted level of \$143.4 billion, is requested for operations, maintenance, training, and facility and base support at levels consistent with those of Fiscal Year 2008; of that figure, \$68 billion is requested to maintain readiness and ensure that our soldiers, sailors, airmen, and Marines remain at the highest levels of proficiency; \$33.1 billion is needed for support activities; \$10.7 billion is needed for recruiting, training and retention; \$11.8 billion is requested for equipment maintenance, repair and refurbishment; and \$32.6 billion is requested for facility and base support.
- \$183.8 billion, an increase of \$8.3 billion over the Fiscal Year 2008 enacted level of \$175.5 billion, is requested for modernization to meet future threats. This figure includes funding for procurement, as well as research and development. It includes \$9.2 billion to modernize ground capabilities and to continue development of the Army's Future Combat System; \$16.9 billion to enhance our maritime capabilities to preserve the Navy's capacity to exert global presence and influence; \$45.6 billion is requested to improve our aviation capability; \$10.7 billion is requested to strengthen joint space-based capabilities; and \$68.5 billion is requested for an array of command, control, communications, computers and

intelligence equipment; procurement of advanced munitions and missiles; and a variety of mission support including ammunition. These investments are critical to ensuring that the Department remains capable of meeting the full spectrum of security challenges across every domain. The demands of sustained war coupled with the growing age of many major weapon systems necessitate determined efforts to ensure their timely replacement.

- \$23.9 billion is requested for family housing and facilities; of that, \$9.5 billion is requested to continue Base Realignment and Closure (BRAC); and \$3.2 billion, an increase of \$300 million over the Fiscal Year 2008 enacted level, is requested to construct new and to improve existing family housing. Included in this request are funds to reduce overseas housing and to increase military housing privatization.

Additional noteworthy requests, contained in the figures described above, include:

- \$15.5 billion is requested to increase Army active duty end strength to 532,400 and \$5 billion to increase Marine Corps end strength to 194,000 in order to increase our ground combat capability to meet current and projected needs while reducing stress on the force by increasing the average time between deployments. With the lessons of the last six years in mind, funding for the planned, phased growth of the Army and Marine Corps must be sustained.

- \$750 million is requested to strengthen the military and security capabilities of global partners. Earlier I touched on the importance of an integrated, multi-faceted approach to the nation's security; the development of partner nation capability will become increasingly important in this regard and this request is central to our efforts.
- \$389 million is requested to establish the U.S. Africa Command. The creation of AFRICOM reflects acknowledgement of the importance of a holistic approach to security and stability issues as well as the absolute necessity of building effective security partnerships around the globe.

War Funding

Regarding war funding, on February 6, Secretary Gates included the following comments in his opening statements to the SASC and HASC:

In addition to the \$515.4 billion base budget, our request includes \$70 billion in emergency bridge funding that would cover war costs into the next calendar year. A more detailed request will be submitted later this year when the Department has a better picture of what level of funding will be needed.

The 2007 National Defense Authorization Act requires the Department of Defense to provide an estimate of costs for the Global War on Terror. We would like to be responsive to this need. Indeed, I was voluntarily responsive to a similar request last year. Some have alleged that the Administration has taken this position in order to somehow hide the true costs of the war. Nothing could be further from the truth. The Department has been very open about what we know about our costs, as well as what we don't know. So the challenge we face is that a realistic or meaningful estimate requires answers to questions that we don't know yet, such as:

- When and if the Department will receive the requested \$102 billion balance of the FY 2008 Supplemental War Request, and for how much; and
- What, if any, adjustments to troop levels in Iraq will result from the upcoming recommendations of General Petraeus.

We should also keep in mind that nearly three quarters of the FY 2009 Supplemental Request will likely be spent in the next administration, thus making it even more difficult to make an accurate projection.

I have worked very hard during my time in this job to be responsive and transparent to this Committee and to the Congress. Nothing has changed. But, while I would like to be in a position to give you a realistic estimate of what the Department will need for FY 2009 supplemental funds, I simply cannot at this point. There are too many significant variables in play. I can give you a number, but that number would inevitably be wrong, perhaps significantly so— *i.e.*, ‘precision without accuracy.’

As I mentioned earlier, Congress has yet to appropriate the remaining balance of the FY 2008 War Funding Request, \$102.5 billion. This delay is degrading our ability to operate and sustain the force at home and in theater, and is making it difficult to manage this Department in a way that is fiscally sound. The Department of Defense is like the world’s biggest supertanker. It cannot turn on a dime and cannot be steered like a skiff. I urge approval of the FY 2008 GWOT request as quickly as possible.

Conclusion

As I noted at the beginning of this statement, the Department and the Committee share the same objective—to protect and defend America. While the global challenges confronting the nation are substantial and enduring we can all take comfort in the courage, commitment and example of those sworn to defend her. Their heroic efforts and sacrifices in the years since 9-11 and, particularly, the progress achieved in Iraq in the last year and ongoing efforts in Afghanistan, are ample evidence of the dedication and prowess of our men and women in uniform. The hard won progress they have earned must not be jeopardized. I again urge the Congress to expeditiously appropriate the outstanding balance of this year’s war funding request to ensure our dedicated troops continue to receive the support they deserve.

Those of us charged with the stewardship of the Department of Defense are ever mindful of the great trust the nation has placed in us. The base budget submission reflects our acknowledgement of that trust and the obligation it connotes. As Secretary Gates has

said, "the President's budget for FY 2009 provides the resources necessary to maintain an agile, highly trained, and lethal fighting force, increase Army and Marine Corps end strength, and sustain the United States' technological advantage over current and potential enemies."

Chairman Spratt, Representative Ryan and Members of the Committee, thank you for your steadfast support to the selfless men and women of our military. We look forward to your questions.

Chairman SPRATT. Thank you again for coming. Does General Cartwright have a statement you would like to make?

General CARTWRIGHT. I do not.

Chairman SPRATT. Okay. Secretary Jonas?

Ms. JONAS. No, Mr. Chairman.

Chairman SPRATT. Okay. The overarching question is, is the President's budget submission a realistic budget? And I think the answer is, its not by at least \$100 billion because that amount which the Secretary has authorized off the seat of his pants before the Senate Armed Services Committee has to be added to the \$70 billion that is in place, the place holder.

Is the revised number now a rough approximation of \$170 billion?

Mr. ENGLAND. Well it is a number. I mean, Mr. Chairman, I mean here is the dilemma we have. On one hand we are required to give you numbers that we can support and so we provide you rationale for the numbers when we give them to you. And in this case, I mean, we don't have a basis because we don't know what decisions will be made next month after General Petraeus comes on board. And we also don't know the status of the money that we are spending today.

So we are already spending money out of our base budget that is, frankly, going to the war cost. So we are already pretty much in the dilemma. I mean trying to justify the number with the uncertainties we have today puts us in a dilemma. So, frankly, the decision on the \$70 billion is an OMB decision, but I will tell you that I felt that that was the right approach and I actually had a lot of discussions on that subject in terms of what was most realistic that we could do to provide some reasonable confidence in the numbers. So we know it is at least the \$70 billion.

And we have in the past, I think three or four times now, we have had a \$70 billion bridge and that is how we have managed to go each year. And then last year, of course, we came in with a full budget, that actually turned out to be the worst of all for us because we didn't get a budget approved. We ended up with a CR and we still haven't gotten the war cost.

So I understand there is frustration on behalf of this Committee, but there is also some frustration on our side in trying to find a way to work through all this that meets all the criterias that everybody would like us to meet. And we are trying to do that, sir. I mean I can assure you we are trying to be as open and forthright as we can in this matter and we will continue to be that way with you.

Chairman SPRATT. Well lets take Afghanistan. What we have been there what now, six years? And we have just increased our presence there. And General Jones has just come back saying that he is disappointed with the progress we have made there. We have got a South Carolina contingent that Gresham Barrett and I are proud of, the 218TH brigade, and they are doing the damnest to help train the Afghan Army.

We have got a long way to go and, nevertheless, we are also have a cost basis that goes back five or six years. Isn't there some way we can—and we are likely to be there for some time to come. Isn't there some way we could extrapolate for that cost and determine what a good number is for approximating the likely cost of the deployment to Afghanistan?

Mr. ENGLAND. Mr. Spratt, I mean it would be, I think it would be wonder if we can do it. I mean the problem is war is inherently unpredictable. If it was predictable, obviously, this would be much easier on the battlefield and then easier to cost, but we have a foe that is not predictable. Obviously, they are a determined enemy we have. And so it is very difficult to look years ahead in terms of what the outcomes will be.

Chairman SPRATT. Well, General Petraeus apparently is going to come back with—are we going to build down to 140,000 troops sending trimming some of the brigades that were added to facili-

tate the surge. But the troop level that he is shooting for is 140,000 troops?

Mr. ENGLAND. Let me let the Vice——

Chairman SPRATT. Is that—that be used as an approximation of the cost to this deployment?

Mr. ENGLAND. Let me let the Vice address that and then I will comment.

General CARTWRIGHT. General Petraeus will come in and comment on the plan that was laid out over the last year. The troop number is somewhere between 130 and 140,000 have been associated with the press. The actual numbers and the work that we are doing is on the classified side so that we can have another conversation about that for the details. But the intent was to get down to the pre-surge levels and counting the brigade combat teams, 15 brigade combat teams by the middle of July.

He will come in and assess his progress on that activity. We need to understand his assessment in order to make sure that we are going to be able to draw down to those levels. Where we will draw down between now and July and what implications that has beyond July. Those are the types of things that we hope to find out and then come back to you with numbers based on that testimony.

Chairman SPRATT. But we do have those numbers within a fairly reasonable range, don't we? We are talking about somewhere between 125 and 150,000 troops.

Mr. ENGLAND. So, Mr. Spratt, if I can. The NDAA requires, I believe and someone can correct me here, but I believe we are now required to provide monthly to the Congress projections including three months into the future in terms of troops. And there was about a week ago people from the Department of Defense came and briefed our Committees of record and that is classified document, but it is available. And I my view is that may give you some better insight, but again that is today's projection and that is why even the 140 number as I think General Hamm had a number of qualifiers with that pretty much along the lines of which you just heard from General Cartwright.

Chairman SPRATT. The chart that we put up which is taken from CBO and it shows the out-year cost beyond this year, assuming a build down to 75,000 troops in both theaters. Does that number ring true to you? Is that approximation something that you find a reasonable take on based upon the assumptions?

Mr. ENGLAND. Of course everything is based on the assumptions, Mr. Spratt, so I mean pick whatever the assumptions are and I am sure you can get a number. And however you multiply that out, but it is all based on what those assumptions are. And of course I don't know how you, I mean I don't frankly know how you arrive at those assumptions. I mean we don't have those assumptions built in. I mean it is a set of assumptions. I would guess for planning whatever you feel is appropriate to do that.

But we don't have a set of numbers like that in terms of assumptions that far into the future. I mean we are still, frankly, in the debate today in terms of what the Fiscal Year 2009 GWOT costs will be. Right? And we won't get any clarity, more clarity than that for another month or two, at which time we will have more clarity and I think be able to give you a more precise estimate.

But going out that period of time and estimating the war I just think is extraordinarily difficult.

Chairman SPRATT. Let me ask you about the chart five, please, Jose.

This is something was presented in the last year's budget and it occurs again. It is somewhat different numbers in this year's budget, namely in real terms over five years the future Defense budget that you submitted to us is shown as declining; negative real growth. Is this a realistic betrayal of what the Defense budget is likely to be over that five year period of time?

Mr. ENGLAND. So, first of all, I guess the validity is depending on what the inflation is over the future. And I guess that is one thing we don't know now. It is that is the case by the way the budget right now based on our latest projection OMB projection of inflation, it is below inflation.

I know the Secretary would like, obviously, to have a budget that accounts for inflation with at least some modest growth, but we have not had those discussion with OMB because I mean we do that the year we are in the year of the budget and then we work that year and we update it. But for 2010 we will leave we will have a budget for 2010 and in 2010 we will discuss with OMB, you know, the basis of the budget going forward. But I would, again, the Secretary said what he would like is to have it at least accommodate inflation hopefully with some modest growth, but that is a discussion we will have in the 2010 budget going forward.

Chairman SPRATT. Well CBO, Congressional Budget Office and the Congressional Research Service have both done studies of your plans for the foreseeable future, the so called fit up. And they simply can't conceive of the budget costing less than inflation will require. In fact, they think additional cost will be substantially above inflation, unless you make major changes in weapons system procurement or in force levels.

Mr. ENGLAND. So, Mr. Spratt, in the past I can tell you my own experience is now in the last seven years there was a period where we were below inflation. We did indeed have it adjusted and OMB agreed to adjust it for inflation. And by the way, that was about the time we also agreed to grow the force. So you are right, the budget actually went up after that point, because we decided to grow the Army and the Marine Corps so we actually had a growth in the budget.

But certainly the Department of Defense would recommend that we have at a minimum a flat budget to accommodate for inflation, but we will not have that discussion with OMB for some time yet.

Chairman SPRATT. Let me ask you two more questions. One is about weapons systems and I said it has been the frustration of every Administration, Democrat and Republican. But, nevertheless, GAO has done an overview of cost growth in major acquisition programs, the so called selected acquisition program, the SARs. And found that from 2002 through 2007 it was cost growth of \$392 billion. A large sum of money. What are you doing to contain the cost growth of major weapons systems, new weapons systems coming off the production line?

Mr. ENGLAND. So, Mr. Ryan, I believe that we have now incorporated into the system some fundamental changes. And the funda-

mental changes is, if I could discuss one or two here. One of the fundamental changes we now look at what we call capability portfolios. That is we used to look at individual programs of which we have thousands of individual programs. But the fact of the matter is, you can lump these programs into capabilities where a lot of programs come together that have to work together to provide a top level capability.

So we have now put these programs together and we manage them differently. And we are also telling people that they can no longer just have cost growth, they have to go back and look at the fundamental requirements and do trade offs in terms of requirements and cost.

So we are working to tighten the system internally. I will tell you, however, when you listen to our contractors, what the contractors require is stability and predictability in terms of programs. And so I mean these when we get delays in budgets or we don't get supplementals, I can tell you what it does. It adds instability and unpredictability in our contractor force. And, therefore, they do not invest for the long term for our programs.

So we are already at low rates and disruptions are very costly. So I think this is an area where we both need to work together, both at Congress, the DOD and our contractors. But I believe this problem does run deep and it has to do with both budgeting and the way programs are managed and requirements. And we are working at it as hard as we can, sir.

Chairman SPRATT. One final question.

Mr. ENGLAND. Can I have the—

Chairman SPRATT. Yes, sir.

Mr. ENGLAND [continuing]. Say one word here please?

General CARTWRIGHT. Real quick on that.

Chairman SPRATT. General Cartwright.

General CARTWRIGHT. What we have done over the last year is in the management between defining what the requirement is and defining the acquisition strategy. We have brought the acquisition community into the requirements discussion. We have set trip wires and expectations on cost that get tripped based on the selected acquisition reports.

So we have a way of monitoring and setting the expectation up front so the acquisition community understands what is tradable and what is absolutely essential to the war fighter. That helps us provide stability on the requirements side so that these requirements don't grow over the life of the program.

Chairman SPRATT. Do you think that if we have a substantial deployment in Iraq throughout the next ten years and a substantial deployment in Afghanistan you are going to be able to complete the recapitalization of the Armed Forces based upon the systems that are now in acquisition and those that you know will be coming out of the pipeline?

And we have got a pretty substantial investment account increase coming, right now upon us, and it is to continue for some time to come for R&D and for procurement. Do you think that you can sustain that level of procurement to modernize our forces, transform our forces, and at the same time maintain this level of troops in some sort of engagement in those two theaters?

Mr. ENGLAND. Well, of course, right now, Mr. Spratt, the war cost is separate from the base budget. So in the base budget we do include and thanks to the Congress and the support of both the R&D budgets are up and this year for the first time our procurement budgets are over \$100 billion. So for the first time we have substantially, I believe when I came in we were down like \$40 billion or something back in 2001. We are now at about \$100 billion in terms of modernization accounts.

So those accounts, what we have factored into the FYOP up in terms of our modernization is accommodated within those base budgets. The war costs, though, are independent and that is, for us, a separate appropriation. But I would tell you the base budget and we do balance and make sure that we do have affordable programs in that budget.

Chairman SPRATT. Okay. We have got a vote coming in a few minutes, but we have time for Mr. Ryan. Mr. Ryan.

Mr. RYAN. Thank you, Chairman. First off, Secretary England, I have got a list a questions I wanted to ask you in writing, if you could respond—

Mr. ENGLAND. Yes, sir.

Mr. RYAN [continuing]. Instead of taking up all this time on your DODs budget and health care costs. So I will submit this to you and if you could get this back to me in writing, I would appreciate that.

Mr. ENGLAND. Yes, sir.

Mr. RYAN. One of my concerns is that as we do these supplementals, which we believe the notion of a supplemental is to reimburse the incremental costs of war. That things that ought to belong in the base budget get pushed into the supplemental budget. And that is just a concern of ours just for basic good budgeting principles.

And if you look at your supplementals since 2001 you will notice that the investment account funding has grown from a billion to over \$70 billion in 2008, if this current request is actually enacted. And combined with your regular 2008 appropriation, investment account spending is \$250 billion. For reference in 2001 it was \$104 billion.

Why has the spending increased by 140 percent over the last seven years in the procurement, research and development, testing and evaluation accounts? That is question number one.

Question number two is, obviously, if we have equipment that is damaged or worn out in the theater, we replace that and it is logical to assume that that is done in the supplemental request, but help me disaggregate what is equipment that is lost in war and what is equipment in procurement that belongs in the base budget?

And it seems to me that base budget stuff is creeping into these supplementals. Can you just please elaborate more on that?

Mr. ENGLAND. So, Mr. Ryan, it may be we try not to let it migrate, frankly. So we do review every one of these request. So in the base budget we do have an attrition number for equipment for normal training operations that we would normally do in our base budget.

So there is an attrition number for some replacement equipment in the base budget. And so if an airplane goes down on just, you

know, a training unrelated mission that goes that is replaced in the base budget. But if it is all war related in the global war, then that goes in the supplemental.

So we do try to parse that. I can't tell you we are perfect at this, but we do work at it to make sure that we can support it when we turn it in to you, sir.

Mr. RYAN. And I understand we have a 140 percent increase in the investment account in the base budget, but we have gone from a billion in the first supplemental to \$70 billion in this supplemental.

Am I to take from that, that is all attributable to war and war costs and in theater problems? I mean this is, you know, this is research, development, test, evaluation, procurement. That is my concern is we are seeing a lot of migration. A billion to \$70 billion over just you know 2001 to this last supplement.

Mr. ENGLAND. So I will ask Tina to comment, but for example, the MRAP vehicles alone 15,000 vehicles is 20 some billion dollars. So that one procurement, which is a war cost because it is for men and women deployed in Iraq and Afghanistan. So that alone is 20 some billion dollars for that one vehicle.

Mr. RYAN. That is why, if you could just walk me through the numbers, that would be helpful.

Mr. GORDON. Okay. Tina, can you help there?

Ms. JONAS. That was, I think, a great example because of course the MRAP vehicle if you think about our annual ship building budget it is about \$14 billion. So for that one procurement alone and that is in force protection.

And I would say one area of procurement growth has definitely been in the force protection area. We also are using our vehicles at rates that we never envisioned. So they are just wearing out and it is in some cases it is five, six, seven times what was expected. In other cases it is combat losses. We have lost unmanned arial vehicles. In fact, we were just told the other day that we have recently lost at least four UAVs. So it is the rate and usage that is driving a lot of the procurement associated with the GWOT budget.

Mr. RYAN. I think it would be helpful to us, because obviously, we realize we need to invest. I just want to make sure we are investing in the right budget, you know, aisle and the column.

Ms. JONAS. Yes.

Mr. RYAN. If you could possibly break that \$70 billion down in the investment account that is in the supplemental for us and explain, you know, how this belongs in the supplemental column and not in the base budget. That would be very helpful.

Ms. JONAS. Well, of course, the \$70 billion that we have is a bridge right now. It does not have any detail associated with it.

Mr. ENGLAND. No, this is a different \$70 billion.

Mr. RYAN. That is a different—

Ms. JONAS. I am sorry.

Mr. RYAN. Not the \$70 in the investment account.

Mr. ENGLAND. I believe, see I am not familiar with the \$70. I have never sort of parsed it out that way. But I believe, Mr. Ryan, you are asking in the \$189 billion total—

Mr. RYAN. That is right. That is what I am asking.

Mr. ENGLAND. Tina, I think the question is—

Ms. JONAS. Okay.

Mr. ENGLAND [continuing]. In the \$189 total there is \$70 billion in the investment account—

Mr. RYAN. That is right.

Ms. JONAS. Yes, we—

Mr. ENGLAND [continuing]. Can we break that out?

Ms. JONAS. Yes, we certainly have that. As a matter of fact, that would be available on our website from last year. We have the Global War on Terror. That is all broken out.

Mr. RYAN. And an explanation how it belongs in the incremental war funding and not in the base budget?

Ms. JONAS. Certainly. And I would be happy to come by and walk you through it, sir.

Mr. RYAN. Yes. I am just interested in that.

Ms. JONAS. Yes.

Mr. RYAN. We are worried about this migration. I know we have a couple minutes left. Perhaps, this one is for you, Secretary, or maybe for you, General. It is my understanding that the Chairman of the Joint Chiefs recently endorsed the idea of putting a budget floor tied to GDP of four percent of GDP for DOD. What is your position and opinion of that proposal? Who ever wants to comment, I would appreciate it.

Mr. ENGLAND. If I can comment, Mr. Ryan. There has been discussions, I know the Secretary has discussed this a number of times. And so I would and it has come up a number of times with the Chairman, the Secretary, and myself. And I would tell you this is still a source of discussion in the Department of Defense. I am not sure we have settled that that is the right approach or not, although there has been discussion in that regard.

So, I mean I would like to defer that, because I don't believe we are in a position to say yes, that is what we believe the right way forward is.

Mr. RYAN. But the Department is actually actively considering whether or not to support this bill?

Mr. ENGLAND. Well, we are definitely having discussions and whether we will go forward to OMB or not I think is still an open point at this time. But there is a discussion about particularly the 2010 budget what should we be doing going forward in the 2010 budget? What is a rational way to do this in terms of having built in modernization for our military and particularly for the volunteer force, which is an expensive force. But when I commented before, predictability is very important and stability. If we had a predictable right floor or just number that we could go forward with it, it would help immensely in terms of managing our programs.

So that is something we are discussing still and we would like to get back with you on that subject.

Mr. RYAN. Okay. General Cartwright, any—

General CARTWRIGHT. Same lines. It may not be the whole budget. It may be a portion of the budget that we can put some predictability, particularly in our acquisition programs, to allow us to move forward. There is also the attribute of just what is appropriate based on what the need is at the time. And should that be pegged to a hard number.

Mr. RYAN. Yes.

General CARTWRIGHT. So we are trying to straddle the fence here between two needs and we are not yet at a point where we are ready to articulate exactly how that comes.

Mr. RYAN. Yes. I just as a budgeteer, I think that this idea needs to be looked at a little more closely than some might have done. I think that is right. We need predictability. We need to be able to plan out. It saves us money in the long run with contracting and all of those things, but to put some arbitrary number for just this part of our federal budget, to me, just seems like bad budgeting.

But I just, you know, we have got to find a better way of getting that predictability, of getting the commitment and the investment made, and this is just my personal opinion, than pegging some percentage of GDP which is setting aside this portion of our budget, which is a significant portion, to be treated different than any other portion of our budget. And that is something as I would just encourage you as you deliberate on this to really think that one through.

Mr. ENGLAND. Yes, sir.

Mr. RYAN. I know we have got to get going here. So I appreciate—

Chairman SPRATT. We have got four and a half minutes to make a vote if you can bear with us we will be back as quickly as possible.

Mr. ENGLAND. That would be fine.

Chairman SPRATT. We appreciate your forbearance.

Mr. ENGLAND. Absolutely.

Chairman SPRATT. The Committee will stand in recess subject to the call of the Chair.

[Recess.]

Chairman SPRATT. In the interest of time, I think what we will do is turn to Mr. Edwards now and then we will come back to Mr. Ryan when he returns. Mr. Edwards.

Mr. EDWARDS. Mr. Chairman, thank you. Secretary England, welcome back to our Committee. Secretary Jonas, General Cartwright, thank you all, the three of you, for your incredible service and sacrifices on behalf of our country. And as a fellow Texan, Secretary England, it is a special privilege to have you back before this Committee.

Mr. ENGLAND. Thank you.

Mr. EDWARDS. Before I ask a question, Mr. Chairman, I just want to say for the record for future debates in this Committee, I think it is fair to say I have been known, as you have, as someone who has supported a strong National Defense and significant increases in Defense spending. And so in that sense I have worked with the Bush Administration in support of their Defense request.

Where I differ with the Administration, Mr. Chairman, is in the argument that we can balance the budget over the next five years while extending trillions of dollars of tax cuts and maintaining investments in our critical priorities for this country. And what I would like to say for the record, it now appears based on this testimony today that to claim that we could balance the budget through the President's budget proposal over the next five years while extending the President's temporary tax cuts would require a \$52 billion cumulative cut in current services for Defense programs and

that is added to a \$20 billion cut in present services for veterans programs. And \$17 and a half billion of those cuts in the VA would be out of VA health care programs.

So my point isn't so much to ask Secretary England a question about that, but to just lay down the foundation so when we hear in the months ahead that we can have it all; we can fight a war, we can have a Defense build up, we can afford massive extensions of tax cuts without under funding our nation's top priorities, I for one just simply don't believe that is possible. Unless one thinks it is a good idea to cut \$52 billion out of real services in Defense and \$20 billion out of veterans programs during a time of war over the next four years.

With that having been said, Secretary England, let me ask you, one of the programs through my Energy and Water Appropriations Committee, that I have been involved in for the last decade is supporting the Nunn-Lugar program. And President Bush and John Kerry one of the things they both agreed on in their presidential campaign in 2004 was our greatest unmet challenge that should be our highest priority should be defending America against the threat of nuclear terrorism.

I know we have done a lot in the area of intelligence funding and increases there, but as I understand it the 2009 request would actually on the DOD side of Nunn-Lugar would actually be \$21 million below current services. And the Department of Energy Nuclear Non-Proliferation Programs, tied in Nunn-Lugar, would be nearly a 40 percent cut; \$411 million cut below the 2008 levels.

Given the importance of protecting Americans against the threat of nuclear terrorism and given the massive amount of nuclear materials, enough in Russia to build literally thousands of nuclear bombs if a terrorist, God forbid, were able to steal that material. Is there a rationale behind requesting cuts and current services for this important program?

Mr. ENGLAND. Mr. Edwards, I didn't realize we had cuts and so I have to ask Tina. Tina, can you answer that or do we need to get it back? It is in current services so?

Ms. JONAS. Yes.

Mr. EDWARDS. A \$21 million cut below current services according to our Committee staff—

Ms. JONAS. Actually—

Mr. EDWARDS [continuing]. On the DOD part of it, \$411 million cut in the Department of Energy part of the Nunn-Lugar program.

Ms. JONAS. Mr. Edwards, the amount that we have in the budget is about \$414.1 million and that is actually \$11 million lower than the enacted level. And we would be happy to get back to you with a little bit of the details. I will say that and maybe the Vice Chief could talk to that a little bit in terms of the importance, the strategic importance, as you know his background.

But we would be happy to talk to you about that. I think this program as in past also had some unobligated funds. It is multi-year money. And so we want to make sure—

Mr. EDWARDS. Right.

Ms. JONAS [continuing]. That we get it right.

Mr. EDWARDS. But I would and that is a fair point to make. I would want to emphasize, though, sometimes you have to leave an

account of unobligated funds so that when an agreement is accepted between Russia and the United States, we have got the money to follow through on that. And without those unobligated funds, you hit a brick wall in terms of even negotiating those critical—

Mr. ENGLAND. Mr. Chairman, I can say this: That as a budget item this never came to my attention in all of our discussions. So I would expect it is the answer is probably somewhere along the lines that Tina said, because as far as I know, I mean, we fully funded the request in this area at the Department. So this is an area we may just need to look at this and get back with you.

But this was not an issue in any of the budget discussions with me.

Mr. EDWARDS. Okay.

Ms. JONAS. If I could add, there programmatically the you may know that the chemical weapons destruction activity at Schuchye has been completed. So that may be part of the levels—

Mr. EDWARDS. Okay. I would welcome any additional follow up.

Ms. JONAS. Absolutely, Mr. Edwards.

Mr. EDWARDS. And my time is up, although, perhaps for the Chairman, if did General Cartwright wanted to comment?

I just my final comment before you say anything, General Cartwright, would just be we are spending \$515 billion to try to protect the American people and that is what the Department of Defense is all about. And God bless our service men and women for what they do in that effort. It just seems to me to be quibbling over a few million dollars on a program that is about a billion dollars or so out of that \$500 billion. A program designed to protect the American cities from nuclear holocaust, I don't know why we quibble.

Mr. ENGLAND. Mr. Edwards, I don't believe that is the case. I mean I don't believe we are there is any quibbling. And again it is, I mean my view is we did fully fund the request in this matter, but we will get back.

Mr. EDWARDS. Okay.

Mr. ENGLAND. And give us an opportunity to look at this.

Mr. EDWARDS. That is very fair.

Mr. ENGLAND. We will definitely follow up.

Mr. EDWARDS. I would welcome a further discussion. And thank you, Secretary England on that.

General CARTWRIGHT. Just real quick. The good news story here is over the last four years our execution rate has gotten significantly better.

Mr. ENGLAND. Right.

General CARTWRIGHT. We have completed projects.

Mr. ENGLAND. Right.

General CARTWRIGHT. We need to enter into the discussion about how we go beyond the current limits of Nunn-Lugar and expand our work against weapons of mass destruction to a more global basis—

Mr. EDWARDS. Right.

General CARTWRIGHT [continuing]. Rather than just focus so much.

Mr. EDWARDS. Right. I salute you for the good work you have done. I hope we can even do more together in the future. Thank you.

Mr. ENGLAND. Thank you.

Chairman SPRATT. Secretary Jonas, I didn't understand your statement. Did you say that Schuchye had been completed?

Ms. JONAS. That is my understanding, that the work there is scheduled for completion in 2009 so.

Chairman SPRATT. I think issue there is that the Russians have taken over the project and they haven't let the subcontracts on it.

General CARTWRIGHT. And we are having some real challenges with the MOX facility and so we can get you the exact details.

Chairman SPRATT. MOX as well.

General CARTWRIGHT. Right.

Chairman SPRATT. But Schuchye was a separate—

General CARTWRIGHT. That was a separate one, but we have got two that are causing us some challenges.

Chairman SPRATT. And even when you finish with Schuchye that is, at most, 15 percent of the chemical weapons stock. So it is just a down payment on the problem.

Mr. Gresham Barrett,

Mr. BARRETT. Thank you, Mr. Chairman. Secretaries Jonas and England, thank you and General Cartwright. Thank you for being here today.

Secretary England, I want to go back to the four percent that we were talking about a little bit today. I am a big proponent of that. I think that there needs to be a set base line of GDP. And you talked you said that you all were still talking about within the Department.

Do you think that the talk is because four percent is too low? Does it need to be higher? I mean have you had any discussions like that or you are just not sure that is the direction you need to go into?

Mr. ENGLAND. Well I think it is a combination of those things, Mr. Barrett. This is sort of a broad issue and it has some profound implications. So on one hand it gives us a floor, it gives us stability, it gives us predictability and that is all to the positive.

Mr. BARRETT. Right.

Mr. ENGLAND. The down side is, obviously, if the economy accelerated then, fine, we would be happy with maybe more money than we thought. Go in the other direction, however, you ended up in a recession and you would find yourself in a very bad situation.

So, I mean on one hand we ask that Congress for the money that we believe we need based on the circumstances at that time. And the circumstances change and that percentage could be up or down. So I mean personally I have some hesitation because while it provides for predictability which I and stability which I am a huge proponent of, it does worry me that we are still subject to the economy itself in terms of variations.

And so again it is a big question and I am not sure we have come down in balancing this exactly, but we are having those kind of discussions. And there is lots of other facets to this also. I think the General Cartwright brought up an interesting point, there may be that there is some aspects of the budget that you definitely want

to baseline and that in the procurement accounts, for example, if we had predictable procurement accounts that we knew for certainty in terms of availability of funds, not just year to year. I mean if you look at our procurements, multi-years are terrific of us, right?

Mr. BARRETT. Yes, sir.

Mr. ENGLAND. And then our and the industrial base. So to the extent we can get closer without across our procurement accounts that would be very beneficial to us.

Mr. BARRETT. Well please keep us informed on that, because I do think that, you know, you got to have national security first because if you don't nothing else matters. So I think—

Mr. ENGLAND. Absolutely.

Mr. BARRETT [continuing]. A baseline approach is certainly, some type of baseline approach, I think, makes perfectly good sense.

Lets talk just briefly about what would happen if we needed to fight another front. There has been a lot of talk about what is going on in the Middle East with a lot of partners over there. We are stretched to the limit, lady and gentlemen. And I am concerned about have you talked about what the estimated cost, what the estimated troop size if we need to open up another front, what that entails. If you have done any preplanning or looked at anything about men, material, cost, the whole nine yards. And, General, that might be your bailiwick, I am not sure.

General CARTWRIGHT. We do a substantial amount of what if type planning. And we have done that and given the diversity of the threat that we are facing with Iraq and Afghanistan ongoing and instability in that region the challenges that we have in the Pacific, the challenges that we are starting to understand better in Africa and South America. There is more than enough opportunity to try to look at each of these and see what would be our regret factor if they went in a direction that we had to react to. And we try to work our way through that.

Clearly, we believe we have the forces for the most significant threats that we have out there and we try to make sure that that is the case. Any additional threats will impose some significant strain on the military. We will take people that are currently at home resting and have to deploy them and that will be hard. And the duration of that deployment if it extends out two years, it will be very difficult for us to handle.

Mr. BARRETT. Have you—

Mr. ENGLAND. With a—could I just add one proviso, though?

Mr. BARRETT. Yes, sir.

Mr. ENGLAND. And I think the Vice Chairman would agree with this. It depends on the nature of the conflict. I mean, frankly, our Air Force is not stressed at the moment, neither is the United States Navy. So there are different it is an uneven with the military. I think, though, I can unequivocally say and the Chairman has said before, if we are faced with a major threat to America, we do have the resources to respond and will do so.

I mean there is no ambiguity there for anyone around the world who may want to take advantage of the situation. The United States military is extraordinarily strong and capable and would respond to any threat and does have resources to do so.

Mr. BARRETT. And I see my time is up. Thank you, gentleman.
Chairman SPRATT. Mr. Doggett.

Mr. DOGGETT. Thank you very much for your testimony and your service. Yesterday, as you know, Army Chief of Staff General George Casey said that he had no reason to doubt Senator Obama's account by an Army Captain of a rifle platoon in Afghanistan that his platoon was short on men, short on ammunition, and short on Humvees.

That incident, though a while back in time in Afghanistan, is hardly isolated. Only this Sunday there was another report on the 173rd Airborne Combat Team in Northeastern Afghanistan that noted, "The soldiers were on a 15-month tour of duty that included just 18 days off." Many of them were stop lost meaning their contracts were extended because the Army is stretched so thin. You are not allowed to refuse these extensions. And, "We don't get supplies, assets. We scrounge for everything and live a lot more rugged."

Admiral Fallon, the head of U.S. Central Command, I think has been quite candid and frank in recent months in describing the Taliban as having been more successful in regaining their strength because of the invasion of Iraq. In Afghanistan there was, to use Admiral Fallon's words in January, "Kind of a little bit of neglect." And in another interview Admiral Fallon said our Afghan problems began occurring when, "The attention and the resources were focused in Iraq not where Osama bin Laden is hiding and not where those who aided and abetted him were regaining their force."

As you know the bipartisan Afghan study group co-chaired by retired Marine Corp General James Jones, for whom I know you and the Pentagon have a great deal of respect, has described the dire situation that this mismanagement has caused, concluding that Afghanistan risk sliding into a failed state and becoming a forgotten war.

His report found that in Afghanistan there were, "Too few military forces, insufficient economic aid, and no clear and consistent comprehensive strategy." The assessment that he made concluded and recommended that we stop tying together, as the Administration has wrongly done, Afghanistan and Iraq because this creates, in their words, "The false impression that they consist of the same mission." Something many of us in Congress have been saying since the outset.

My questions to you, Secretary England, are number one, isn't General Jones and his bipartisan group correct that our allies will be unwilling to provide the resources that we need to get the job done in Afghanistan as long as the Administration continues to lump Afghanistan and Iraq together in the mislabeled global war on terrorism?

Second, while the cost of the war which you are here to testify about today in Iraq is measured in blood, is measured in the \$12 billion a month you have been spending there lately. Isn't part of the cost also the job that was left undone in Afghanistan as these resources were diverted to Iraq?

And, third, when we look at the claim that we were going to capture Osama bin Laden dead or alive and weaken the Taliban,

aren't we farther from that objective today than when you testified before this Committee last year?

Mr. ENGLAND. So a lot of questions and I will turn some of them over here to the Vice who is probably more capable than I am. I know General Jones well. He was in my office just the other day having lunch with me.

Mr. DOGGETT. I assume so.

Mr. ENGLAND. I haven't gotten that kind of report directly from General Jones, so I guess I am a little surprised.

Mr. DOGGETT. Well I am reading from the report that he chaired and signed. And I am sure you have copies of that because the Pentagon made a fairly short reaction to it. But I am reading directly from the report. I am sure you and your office have at least read the report, haven't you?

Mr. ENGLAND. I have, but also have not picked out just a few words out of the report. So I think you have to take the report in context. I don't want to debate the report. I mean I am not here to do that. The report is the report.

Mr. DOGGETT. Well my question is the conclusion. Do you agree that as they concluded and recommended that we are not going to get the help we need until we decouple the Afghan war and that effort from Iraq.

Mr. ENGLAND. So my understanding is a number of people supporting us in Iraq has actually grown so that the NATO has committed——

Mr. DOGGETT. Really? Don't we really have a phased redeployment already underway in Iraq as Poland leaves, as Australia leaves, as Canada leaves. And you supplement it by hiring the Georgians to come in?

Mr. ENGLAND. So there is discussions. The Secretary was just in Europe and so I don't want to preempt him, but he Secretary was in Europe talking to our NATO allies. Our NATO allies understand the importance about Afghanistan. It is a separate——

Mr. DOGGETT. Have they sent any new troops there?

Mr. ENGLAND. There are——

Mr. DOGGETT. If I understand what Secretary Gates asked for.

Mr. ENGLAND. Well there are discussions with the NATO allies. And I am not going to preempt those——

Mr. DOGGETT. Discussions don't help.

Mr. ENGLAND. And I am not going to preempt those discussions, sir. But——

Mr. DOGGETT. Well the discussions have been going on for a long time and the troops haven't come. Do you disagree with the recommendation of the Afghan study group that Afghanistan and Iraq have to be decoupled before we get the help we need?

If you do, I will respect your disagreement.

Mr. ENGLAND. Sir, my view is we are funding the effort. I mean this is the Budget Committee. And we are funding the effort in Afghanistan. We are doing what we need to do. Unfortunately, I will tell you that in the budget itself where we have requested funds today, we do not have the funds we need in Afghanistan, because we are still waiting approval by the Congress.

So I would say that——

Mr. DOGGETT. I understand that is the dodge——

Mr. ENGLAND [continuing]. It is——

Mr. DOGGETT [continuing]. That is pretty standard to avoid——

Mr. ENGLAND. It is what——

Mr. DOGGETT [continuing]. With inability of our allies to do their fair share so it is not all American blood, and not all American taxpayers, and not somebody up in Northeastern Afghanistan who has to scrounge for supplies.

Mr. ENGLAND. Well——

Mr. DOGGETT. You have not gotten those resources and this bipartisan Committee came out with a report in January that the Pentagon has been dodging that made a clear recommendation from the former head of the Marine Corps. And I am just asking you for a straight answer. Do you agree that we have got to decouple to get somebody to share a little of this burden or are we going to have to keep carrying it all by ourselves because of an ideological commitment that tie these two unrelated conflicts together?

Mr. ENGLAND. Mr. Doggett, we have a global war on terror and we fight that on different fronts. And we fight that in Afghanistan and we fight that in Iraq and we have troops deployed in other parts of the world. And so this a global war——

Mr. DOGGETT. And I understand that is the party line, but it is the party line that General Jones bipartisan commission rejected. And I take I will take your answer as a respectful disagreement. Just get a response to my last question. Aren't we in a worse position today with reference to the Taliban, with reference catching Osama bin Laden than we were when you were here last year?

Mr. ENGLAND. I will let the Vice Chairman answer that. I would tell you this: We are against a determined foe. I do not think you can predict day to day and month to month the fight against the Taliban. It is a long—pardon me, sir. It is a long fight against the Taliban. It is not something we are going to measure day to day or week to week. And so this is a determined foe and it will ebb and flow, but we have forces in Afghanistan to deal with those issues along with our NATO allies. And so this is a combined coalition fight in Afghanistan.

Mr. DOGGETT. Mr. Secretary, I will accept your answer, but I found your answer earlier to Chairman Spratt and again now that the reason you can't budget is because we have an unpredictable foe to be, frankly, astounding. If in the history of military history of this country we have ever had a predictable foe, I would like to know when it was.

Mr. ENGLAND. And I agree, by the way, and that is the way we have funded in the past. We fund our war cost as we have war cost. And that is what we are asking this Congress to do again is to fund the war cost. And it is important that those costs be funded, otherwise, we cannot prosecute the war. It does take funds to do that. And it has been very disruptive to have to go from hand to mouth when we do not have those funds appropriated.

Mr. DOGGETT. You have got the funds to carry this war on through July, don't you? That is the report that the Congressional Research Service provided as an objective analysis. If we don't do—if we folded our tents and went home, which we certainly don't plan to do, you have got the resources now. It is not because of any inaction here, you don't have the resources from our allies, of

course, because you have been unable to get them because you won't accept the recommendations of people like General Jones.

I yield back.

Chairman SPRATT. Mr. Tiberi.

Mr. TIBERI. Thank you three for coming today. Kind of going along on that point, Mr. Secretary, reading your bio you led a private sector company before, now you are helping lead a very large public sector operation, the Pentagon, with men and women in the field. With respect to that budgeting issue, and maybe the two others can help us with this as well. How difficult is it, and what impact does it have, not only on you but the men and women on the ground in combat when there is uncertainty of money coming? An uncertain flow. An uncertainty of when we will be passing a supplemental, not only this year but in the past. And what measures does it cause you to go through and what measure does it cause the commander on the ground to go through? Can you share a little bit of that with us?

Mr. ENGLAND. So, I would be pleased to. First of all, I will tell you the good news and the bad news. The good news is, is that we try to accommodate, obviously, everything we can in the budget so there is no impact. The bad news is there appears to be no impact and therefore there is no urgency.

I mean we do try to accommodate. We, obviously, do not want to impact our men and women in uniform so we do everything we can so they are not impacted as we allocate funds. Some of this does not show up immediately. I mean if we do not have funds enough in terms of resets, or buying procurement or buying at a lower level or keeping an efficient rate at a factory. I mean that it doesn't show up. It will show up at some future time.

So we do everything we can to minimize the effects. It is important to our men and women in uniform to know that the nation is behind them. And one way that that is demonstrated is the funding that is provided to the Department of Defense in their behalf so that they can execute the war. There is no question that it is meaningful that we have some consistency in terms of our funding.

I don't think people in the military sit there and ponder what is going on at the national budget level, obviously, because it is very local to them. So I don't think you can draw any direct connection to that, but it is meaningful, I think, in terms of the response to our Department. And, Chairman, I will—

General CARTWRIGHT. I would just add to that the types of budget issues that interruptions will be manifested out in the field are those types of funds like the CERP fund where local commanders are setting the priorities with the people that they deal with in the community to help them move along. And if we walk out and, for instance, say what we will do is help you put together a sewer line that will give you a quality of life or potable water or something like that. When they start to see that those funds are not going to be available to them, to those commanders, that kind of resource is more valuable than bullets most of the time, because it builds the opportunity to let the, pick your country, whether it is Afghanistan or Iraq, allow them to build the capacity to do for themselves.

So they tend to look at, in the field, day to day what is the status of those funds? Will I have them? Will I be able to make commit-

ments to these people that I can keep, and therefore, validate their trust in me.

The other things that the local commanders see are the repair up forces. When a Humvee is damaged, do I have the spares on the shelf? Or am I starting to cut back there because we are not sure we are going to have the money to commit the contracts, etcetera.

So those are the types of things locally that we see. Back here on the Pentagon side, the acquisition, the interruptions of the acquisitions at the home forces. And the Congressman brought up the 173rd. In places like Vincenza where the 173rd is based. The resources that are start to be in jeopardy of child care, of services, things like that, start to affect families, indirectly affect the war fighters.

These are the kinds of things that they will see.

Mr. TIBERI. Thank you.

Mr. ENGLAND. But we work very hard not to have that happen to our men and women in uniform. I mean so we do everything we can so that they are not affected.

Mr. TIBERI. Thank you. Another direction. I had a call last night from a constituent, military retiree, Mr. Secretary, who was concerned about a proposal of yours that will increase fees and co-payments. Two questions.

Do you believe Congress has to approve that? And number two, can you just give us a brief history as to why you believe you need to do it?

Mr. ENGLAND. Our current health care cost is I believe about \$42 billion a year. It is about six percent of our budget. It is projected to grow to \$60 some billion or by 11 or 12 percent of our budget in the out years. About 65 percent of that is retirees. We had in, I believe 1996 a co-pay for drugs, etcetera. That has not changed since 1996. So we propose that we change that literally to account for inflation. And since then, of course, everybody's retirement income, everything has gone up significantly.

So this does not apply to our active men and women. It does not apply to people, I believe, over age 65. It applies to those people who have retired and also in most cases working with significant income. So this is a way to just put some more balance into the system. It certainly wasn't owners at all, it was to adjust for those levels. And, yes, my understanding is Congress I believe we have been precluded by the NDAA from imposing any change in fees. So those fees are now more than ten years old in terms of the co-pay. And we were recommending adjusting as a way of just good business practice.

And so that, I believe, is the—is that clear? Do I have it right, Tina?

Ms. JONAS. You have got it exactly right, sir.

Mr. ENGLAND. Okay. And so that was, again, a prudent business practice which would be meaningful in terms of trying to moderate this significant increase in cost we have in this area.

Mr. TIBERI. Thank you. I will yield back.

Mr. EDWARDS [presiding]. Mr. Berry.

Mr. BERRY. Thank you, Mr. Chairman and thank you for holding this hearing. Secretary England and General Cartwright and Secretary Jonas, I have absolutely no doubt that you all love this coun-

try. You care just as much about it as I do and all the other people in this room. I know that you are doing the best job that you can do. You serve a different master than we do. You have a Commander in Chief and we have got about 660,000 commanders in chief.

All that being said, it is very distressing to me that we hold a hearing in this Committee and are presented with a budget and with testimony in the face of a deficit that has exploded over the last seven years. And we use things like unpredictability and then we talk about well we don't want any disruption and certainly we don't. None of us do. We don't want our troops not to have what they need. If there is a tool out there from repairing a sewer line to a water line or whatever, if that saves lives and creates stability and peace and prosperity some place and we can afford to do it, lets do it.

I don't see how we can possibly continue in this country to carry on this, what I consider to be a false debate, and not lay all of our cards on the table and recognize the fact that the country is fiscally in horrible condition. And that this is a very expensive enterprise. And that we are going to all have to sit down to the table, face the reality of the situation, and deal with it in an appropriate way or this country is going to get sucked into the black hole of fiscal irresponsibility. We are going to be the next sub prime victim in the countries of history. And this concerns me a great deal. I don't see how that we can possibly continue on the path that we are on. And I know you all are doing what you consider to be your job and you have no ill will or bad intentions whatsoever. And I don't intend to suggest that, but I can tell you we have got to get real about it.

Having said that, I have a question that is much more specific than my comment. According to several press reports the Marine One Helicopter Program is being significantly delayed and is well over budget. According to these reports, initial feeling of the new helicopters to transport the President may be delayed by up to five years and the price tag has ballooned from \$7 to \$11 billion. Including at least an additional one billion for the second phase of the program.

These schedule issues and cost increases are a result of nearly 2,000 program requirement changes. It is my understanding that in the light of these issues the Pentagon and Lockheed Martin, along with its European partner Agusta Westland are now looking at ways to restructure the VH-71 Helicopter Program.

Mr. Secretary, you are requesting over a billion dollars for further Navy development of the program in this year's budget, a significantly higher amount than what the Department requested in the last couple of years. What Congress ultimately appropriated and at a time when we have ever growing cost for the wars in Iraq and Afghanistan. Can you please provide a little detail into the budget request for the VH-71 and put the request in context of the reports I just mentioned.

Mr. ENGLAND. Mr. Berry, I can. That is the program, I think it is the VH-71 Program which is the new Presidential helicopter. That program is in the development phase. The program has what we call two increments. Increment one and increment two. And the

money in the program is primarily for increment one. I believe that we may need additional funds, but that is something we are looking at on increment one and two.

So your reporting, and I am not sure all those numbers are right, but we are re-looking at the program because the program for both contractors was a commercial derivative that has added some cost as we put in some security safety requirements into the helicopter. So that is an area that is being looked at right now. I am not in the position to give you any answers, because we don't have any answers except I am quite certain we will continue with the program because it is a needed program, but we will just have to come back with you and tell you how if and how we decide to restructure the program.

Mr. BERRY. Right. Thank you, sir. I yield back, Mr. Chairman.

Mr. EDWARDS [presiding]. Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman, appreciate that. One of the concerns that a lot of us have is that our job really is to look a 20-year horizon as to threats against this country and yes we have got to fund this year's threat and this year's hype. But we also ought to have some folks that are on your side of the table that are looking 20 years down the road to see what we are doing, because we have got I suspect an immense investment in platforms that are not a part of the fight today, but will be a part of a fight that could possibly be there in the future.

And so, Secretary, if you could give me some sense of things that may have happened within the 2009 budget that would have an impact on this issue of how we make sure we can fight and invest for the fight 20 years from now, as well as continuing to be able to fund the fight that we are under right now and the type of fight that we have got on now.

Does that make any sense in terms of what I am asking?

Mr. ENGLAND. No, it makes a lot of sense, Mr. Conaway. As a matter of fact you know our Quadrennial Defense Review requires us to look out 20 years and obviously it is less fidelity as you move out. It is very good close in and very poor as you look out, but we do try to look out. And so I mean we look at all the projection, all of our intelligence, all of our classified everything so that we can get some feel for what is going on in the world in terms of what could happen to us in the future.

In the 2009 budget the Vice Chairman and I actually together chair all the groups dealing with the 2009 budget and so we look at both near and long term. Keep in mind, a lot of our programs are very long term just because of the nature of what we do as a long time developing the program. So to some extent our most things in our procurement account in the base budget are actually long term. I mean they are destroyers, or replacement equipment and submarines. And a lot of this is replacement, new equipment, better capability for dealing with future threats.

A lot of the very, very near term is in the supplemental because it is, obviously, buying equipment for today's war. In the 2009 budget in the groups that the Vice Chairman and I chair we basically looked at \$30 some billion in terms of, you know, applicability and where it should it best fit, etcetera. So we bring all the people in from the entire Department and this is part of the debate when

the budget is put together in all the services and in OSD in terms of trying to strike that right balance.

And the Vice.

General CARTWRIGHT. I might just add just a couple of points. As we look at ten, because we are in the process of building the budget for ten right now. The beginning of that process is to look at the 20-year threat assessment to understand and baseline ourselves. So we bring in our think tanks places like DARPA. We also look at industry. We ask them to come in. And so we have just finished a couple of weeks at looking at those threats and then trying to understand what it is that is going to address them, because building an aircraft carrier today that a high school student is 40 years hence into the future, that aircraft carrier will still be in our inventory. Will it be relevant against the threats we have out there? What are the attributes that would make it relevant?

We have started to adjust in taking those looks and I will be one to tell you that the recent activity that we had associated with the satellite was the result of not knowing a specific threat, but putting together systems that could respond to the unexpected. One other piece that we are doing that the Secretary instituted are these portfolio management approaches. So we have services that look at the sea service, the air, etcetera, but these portfolios take common things like command and control that if we build them in these stove pipes may not talk to each other. These portfolios are designed to look for our seams; look for those areas where we might be vulnerable so you will see investment in this budget that you are dealing with right now that is looking at those seams and trying to understand and make sure that we are not surprised in those seams, nor that we are not surprised in a way that would disadvantage us in the future. We may have to adjust, but we won't have to wait four or five years for the solution is the hope.

That is where we try to point ourselves.

Mr. CONAWAY. Just one quick—is there anything in the 2009 budget in circumstances where you had to rob Peter to pay Paul in this context?

General CARTWRIGHT. I would say to you that more often than not what we looked for is where we can build a hedge? Where should we be building something that we put definite dollars against the war we are in and the fight that we are in, but what do we want to do with whatever we are investing in? Lets take the MRAP as an example. Something that we know we need right now for the fight that we are in. What are we going to be able to do with that? What is usable in the future? Are the dollars against that for command and control? Is the chassis something that we can use in another way?

We have looked at those types of investments and tried to lay in the seed corn for the event that we will be surprised or as we look out to the future is it likely that we are going to need something? So some of these vehicles as an example are set up to work in a chem-bio environment, because we know likely in the future we are going to address that and we don't want to have to start from scratch to do it.

Mr. CONAWAY. Thank you, Mr. Chairman.

Chairman SPRATT [presiding]. Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. Let me follow up on a couple of those questions we just asked.

There is an article recently on CNN about the MRAPs. Have we—what is the problem with getting them out in the field?

Mr. ENGLAND. I don't know a problem, Mr. Scott. I mean the MRAPs probably go under the fastest programs ever gone through the Department. And we are producing about 1,000 a month. And they get processed into Kuwait and into the field. So as far as I know it is moving. Obviously, would be nice if you could have this done instantly, but they are large vehicles. And so they are being shipped. They were being flown over and now they are being shipped. And now I think the queue is sufficient, it is only by ships.

Mr. SCOTT. Okay. And General Cartwright, you mentioned figuring out where the seams are. Are you making full use of modeling and simulation upon those seams?

General CARTWRIGHT. I will tell you that I probably drive people crazy with modeling and simulation, because I absolutely demand it. It—

Mr. SCOTT. Say again?

General CARTWRIGHT. I demand it.

Mr. SCOTT. Okay.

General CARTWRIGHT. It is just it cuts time off, it cuts expense, trial and error. I mean it is one of the great tools that have come available to us.

Mr. SCOTT. Secretary Gordon, as I understand the Navy budget and you probably have to get back to me on this. The budget is sufficient to keep the aircraft carriers on schedule?

Mr. ENGLAND. Yes, sir, I believe it is.

Mr. SCOTT. And if you could report back to me what I can tell my ship repair companies as to what the OMN budget is going to do to ship repair. I assume that is something you can't just say off the top of your head.

Mr. ENGLAND. We will get—Mr. Scott, I will have the Navy get back with you directly. I will just pass on to Navy, have them get back with you directly, sir.

Mr. SCOTT. Okay. And Representative Drake who represents Langley—

Mr. ENGLAND. Right.

Mr. SCOTT [continuing]. Is interested in what the budget does for the Hornets.

Mr. ENGLAND. Okay.

Mr. SCOTT. Our Air National Guard has an interest in that too. So if you could get back on that. And as you know, Representative Joanne Davis recently passed one of her passions, which was getting those ships out of the ghost fleet out of the James River which constitute a major potential environmental hazard. They have been slowly but surely getting out and we want to make sure the budget continues that program.

Mr. ENGLAND. You know, Mr. Scott, I actually asked that question the other day myself just because of my own Secretary of the Navy they asked how that fleet was coming. They told me it was going down, but again I will get the Navy to respond. But I am quite confident they have money in the budget to do that.

Mr. SCOTT. BRAC well there is \$1.9 billion to effectuate the BRAC closings. As you know the costs for Fort Monroe went from \$70 some million to \$270 some million overnight without including the cost which could be hundreds of millions of dollars for cleaning up the mess left behind. Do we have enough money in the BRAC line item?

Mr. ENGLAND. I will confirm it with you, but Mr. Scott, everywhere where we know we had either you know deficiencies in the budget or an overrun or a problem to be addressed. As far as I know we put that money in the budget this year.

Tina, right? So we should be totally whole in the budget for BRAC.

Ms. JONAS. I think we are——

Mr. ENGLAND. If we are not——

Ms. JONAS. Yes. We have a very healthy BRAC budget, but we will follow up with you, sir on the issue that you raise with Fort Monroe.

Mr. SCOTT. Fort Monroe specifically.

Mr. ENGLAND. Yep.

Mr. SCOTT. The budget includes an increase in personnel, 7,000 Army, 5,000 Marines. Is that sufficient to maintain a decent rotation schedule or are we still going to be on these extended multiple rotation schedules that we are on now?

Mr. ENGLAND. Well it will take a while to get to the new level, 202,000 Marines and we are still growing, and also Army is still growing. But I will let you address—we are not at the end point because we just started that growth last year, Mr. Scott. So it takes a while to get to the new——

Mr. SCOTT. And we are having trouble recruiting at the level we are at. And so when you respond, if you could tell me what affect the increase might have on our ability to actually recruit quality personnel. I would appreciate that.

One of the recruitment tools we have is the GI Bill. As you know my Senator Jim Webb has introduce a GI Bill which would restore the education benefits to what they used to be during the Vietnam War. And we would appreciate comments on that in writing. I am running out of time so I just mention the questions that I have.

Last year's budget included language that Representative Barbara Lee had proposed to go through the GAO study of ways that the military could save money. There were dozens of potential cost saving items and we put money in there for you to actually pursue those cost savings. And if you could bring me up to date on the status of that.

And two last questions in just in accounting. Has the use of, excessive use of contractors run up the cost of the war more than it would have been if we had used military and civilian military personnel?

And, finally, the accounting cost. We keep hearing about \$8 billion lost in Iraq that hadn't been that is not accounted for. If you could give us an update on——

Mr. ENGLAND. I think that is Iraqi funds, but we will look into it.

Mr. SCOTT. Okay. If you could just bring me up to date on what the status of that is.

Mr. ENGLAND. If you will, just to make sure, if you will give us all those questions we will be sure we get back with you, Mr. Scott.

Mr. SCOTT. Okay. Thank you.

Mr. ENGLAND. You bet.

Chairman SPRATT. Mr. Ethridge.

Mr. ETHRIDGE. Thank you, Mr. Chairman. Let me thank each of you for being here this morning and let me echo my friend Mr. Berry's comment. Thank you for your service. It is a difficult job, but we also have one to do on this side of the mic as well as you could appreciate.

I have just returned from a trip to Iraq meeting with our soldiers, because representing Fort Bragg and Pope which is now transitioning through BRAC. I have the privilege of representing some of America's finest. And they are being deployed just like our neighborhood folks down at LeJeune on a in a very rapid basis and many of them I met with over there were on their third tour, some on their fourth rotation, which was sort of set a little of the tone for one of my questions. But before I do, I want to back up and ask either one of you who want to comment on this.

You did mention we were in pretty good shape with BRAC, but given the movement of facilities coming to Fort Bragg, I would ask specifically and you may need to get back to me on this if you don't have it right now, that we do have adequate funding still in those accounts currently. And an additional question that I will need developed for me, one of the real issues that is being batted around in the adjacent counties to Fort Bragg is because of the build up we are seeing significant increase in needs for education and other issues that we have. I don't think we have anticipated in the BRAC funding. And I would appreciate a feed back on that of what that cost is.

And specifically the question is this: If you have students in a school in a unit where the base is, you are funded at a far higher level than the students in the adjoining county. Last time I checked they usually cost about the same amount to educate students. Having been State Superintendent of Schools for eight years. And one of the real challenges we are facing is those counties tend to be counties with less resources. That is patently unfair to our men and women in uniform who we are sending overseas. Those children are in those schools. So I would appreciate feedback as soon as possible as we work through this budget process.

Mr. Chairman, thank you again for this hearing. Let me take one other point I want to make because as we made this CODEL over there, one of the things I saw we visited the MRAP facility as vehicles were coming in. And I would encourage the speeding up of that process, anything we can do to speed it up, would make a difference. I was we were informed that we have not lost a single life of a service person that was moving about in one of those vehicles except one that happened to be in the gun turret outside the vehicle. I think it is imperative we do that very quickly.

And of what we saw is that the violence is down for a variety of reasons. One of which is our men and women doing a marvelous job, certainly working with local officials. But now that that has happened, I think the Iraqi leadership needs to step up to the plate. We have given the room and the opportunity to get the job

done. We just can't continue this forever, standing up there as you well know.

We have talked about dollars today and budgets are about money. And we need to continue and I certainly have supported every budget for our military and will continue to do so. But I think you are aware that we are spending about \$12 billion a month in Iraq by recent estimates, \$500 plus whatever that number may be. But we are not—I have been fortunate enough having a new grand child born in the last few weeks and that child is now being faced with a lot of money that we are borrowing from foreign governments. We have to get a handle on this. We have to have help from our neighbors in that area, they are the ones who stand the lose the most as we start drawing down.

So my question would be as we look at this, the continued numbers of troops we are talking about keeping there. Mr. Secretary, there are those who say when we talk about drawing down they talk about a precipitous withdrawal. We are not talking about that. We weren't even talking about cutting and running. I think what we are talking about is being realistic. We have got to all sit at the table and get a realistic handle of how we balance this federal budget. The dollar dropped yesterday at new lows around the world. There is a reason for that and that is because we are spending dollars that we don't have.

How much longer can we ask our men and women to continue these extended deployments, multiple deployments? It is bringing a heavy toll on our men and women that I represent, that you represent as Secretary in the Department of Defense. And, Mr. Chairman, I know from your standpoint you feel it from our men and women that I met with at Anbar Province. They are doing a marvelous job. They tell you that. They love the job they are doing, but they are tired. They are absolutely tired.

So who would like to respond to that? It may be a philosophical question, but it is an important question that we have to answer.

Mr. ENGLAND. Well——

Mr. ETHERIDGE. It reflects our budget responsibilities.

Mr. ENGLAND. No. And so it really is dealing with the dwell and the time on station. And that is part of the reason, Mr. Etheridge, that we decided to grow the force and the Congress concurred with that. So we are actually growing the force as a way to increasing supply.

Mr. ETHERIDGE. I couldn't agree more, but in the short term that is not helping those guys and gals out there who are rotating.

General CARTWRIGHT. You know, my sense is that we have to grow the force in the longer term initiatives that we have put in place that you have been so helpful with. But in the nearer term as General Casey eluded to yesterday, we are waiting for this March/April report from General Petraeus, but as you saw on the ground, the conditions are improving and we are starting to transition from being the fighting force to moving to an over watch position which will allow us to reduce the forces, hopefully, over time, conditions permitting.

If we can do that we can get these tours back into a manageable state. We need to get to that condition because the families also feel this stress. But if we keep it the rate that we are going, it will

challenge our ability to retain the quality of people that we need to recruit the quality of people we need. There will be challenges out there. We are handling those challenges today. How long that can go, I have to I mean I have to agree it is not forever. And we are doing the best that we can to address these issues on the etches, the long term, the near term.

Like you, and I don't want to put words in your mouth, but I was very heartened with my last trip to the AOR with what we have accomplished and how much the Iraqis in particular are stepping up to the ball and they just did a budget \$49.9 billion a lot of which is going to their security and that is heartening.

Mr. ETHERIDGE. Thank you. I would hope that they spend some of that on their police, because I really think that is the critical area right now that it really hurting.

General CARTWRIGHT. Yes, sir.

Mr. ETHERIDGE. Thank you, Mr. Secretary. I yield back.

Mr. SPRATT. Mr. Becerra.

Mr. BECERRA. Mr. Secretary and General, thank you very much. Madam Secretary. Thank you very much for being with us again. And by the way, I think it needs to be said that it is our role to, obviously, ask you tough questions, your role to give us as best you can an answer to that. And I think the men and women in uniform understand that we are suppose to do our job to make it possible for them to have the best equipment, the best training, the most efficient policy making shop, and Pentagon that we can.

So as we talk about this, I hope that we will continue to convey the thoughts that to every warrior that is out there wearing a uniform for this country, we say thank you for their service. And, General, to you to but if you will continue to convey that to every person in uniform from the highest ranking general to our newest enlistee that we want to make sure that they understand that we can have a vigorous conversation here but we ultimately know where the fight is.

I have a couple of questions I would like to get to. I am concerned about—if I can have chart the chart on page eight come up. On the cost of the 1991 Gulf War.

To me this is what is very telling about this situation we are in Iraq and Afghanistan. If we look at the net cost to this government, the U.S. Government of the Gulf War, dollar wise. Again, we could never reclaim the lives that were lost. But in terms of dollars, to come out with a net cost of \$2.1 billion. I think George Bush, Sr., could certainly say that we had a coalition that helped us fight this war, even though we put most of the boots on the ground. We had the support of many other countries, equipment, soldiers, but also to help pay for the cost of this.

My understanding is that as of today we have spent in Iraq and Afghanistan, but mostly in Iraq, a total of some \$800 billion. You are requesting \$70 billion in this next budget and you have already acknowledged that that is not enough. Eight hundred billion dollars. Of the \$800 billion, Mr. Secretary, that we spent, how much have our members of the coalition of the willing, how much have they willingly contributed to offset the costs of the war so far?

Mr. ENGLAND. So, I don't know, sir. I mean I don't know what that number is. Obviously, they funded troops and all. So I mean I just don't know what their budgets are and I just I can't tell you.

Mr. BECERRA. So compared to the Gulf War, is it possible for you all to provide us with a number of how much the our willing coalition partners have provided in kind or equipment contributions or cash contributions to fight this effort in Iraq and Afghanistan?

Mr. ENGLAND. I would expect we can give you an estimate of that. I mean I don't know what it is.

Mr. BECERRA. I would appreciate that.

Mr. ENGLAND. But—

Mr. BECERRA. I would appreciate that. I think it is obvious that our fighters, our warriors are giving their all. And I think it is important, incumbent upon us to say that our military and policy thinkers are giving their all and their best as well.

But when I take a look at the fact that today we are approaching the 5th anniversary of this U.S. invasion in Iraq, compared to the less than four years it took us to be in World War II, the little over two years that we were in World War I, the little over three years we were in Korea. The fact that the most expensive war we have ever faced, World War II cost us about you could put it in today's dollars and in terms of our troops, it cost us about \$50,000 per soldier to conduct the war.

Today's war put in those same dollars is costing us about \$400,000 per soldier. We are spending about \$12 billion a month just in Iraq. We as a government spend as much as every other country in the world spends on its military budgets combined. So that the six countries that President Bush has called the rogue States and that would even include Lybia which apparently is no longer a rogue State, but Cuba, Iran, Lybia, North Korea, Sudan, and Syria spend $\frac{1}{29}$ th on all their military budgets of what we spend. So we spend 29 times as much as they do.

If you add with those six countries Russia and China together they combine spend about 30 percent of what we spend on our military, yet we are the ones that are spending hundreds of billions of dollars in a country that couldn't put one plane up in the air against us when we invaded it in Iraq. And we can't figure out how to get out.

And so I am not sure if there is a question here, other than to say, what is demoralizing, what is very frustrating is that while we see our men and women in uniform doing the best they can, following every order they are given, somehow while we spend more than anyone else in the world, while we have committed more than anyone else in this willing coalition, we are in a rut. And I would hope that the message that goes back to the Pentagon, our policy makers, our military thinkers, is that we can only ask so much of our men and women in uniform. And we can only continue to do this in ways that show that we value and reward what our men and women are willing to do when they enlist into the service.

I can't tell you that with all the numbers that I cited and that I continue to see on the horizon, that there is a lot of good that we can tell the men and women who are going to be sent to Iraq soon. Afghanistan, I think, the fight is a little different and I hope wish could devote more there.

But I will conclude by just saying, Mr. Secretary, that we know we have a lot of good folks that serve this country, especially in uniform. And we who wear this different uniform want to be as supportive as we can, but I must tell you, by God, it is very difficult to find the value in having gone into Iraq the way we did and this so called coalition of the willing which doesn't seem too willing compared to the Gulf war.

Mr. ENGLAND. So, just one reminder for you with all these numbers.

Mr. BECERRA. Yes.

Mr. ENGLAND. Small data point. Two airplanes probably worth, I don't know, \$100 million or something caused probably a trillion dollars worth of damage to the U.S. economy on 9/11/01. So I mean this is a different kind of war and I don't think talking about encapsulated traditional warfare.

Mr. BECERRA. Yes.

Mr. ENGLAND. And I don't think it applies to the threat we have there. So I don't think we can forget what happened to our economy. I don't know what the total amount was that damaged our economy, but it was certainly dramatic compared to the cost of two airplanes, plus Pennsylvania and the Pentagon.

So, I would just change the perspective somewhat. I mean I find all this interesting, but I frankly, Congressman, I think it is a different perspective for the world we are in today.

Mr. BECERRA. I think so.

Mr. ENGLAND. And we look at it differently.

Mr. BECERRA. Mr. Secretary, I take the point. And I think if President Roosevelt were alive he would tell you that on December 7 back in the 1940s we didn't expect that Hawaii would be facing what it did. That President Eisenhower and President Kennedy did not expect that Sputnik would beat us up in space. And so we have been challenged on many occasions, but the fact remains that the resources we put in, the men and women we have sacrificed for an endeavor that has no end in sight it is tough to swallow, because we have always been able to give our men and women in uniform a much better sense of what they are fighting for.

Mr. ENGLAND. But I—

Mr. BECERRA. I take with full understanding your point and I hope you take a full understanding of my point.

Mr. ENGLAND. Certainly.

Mr. BECERRA. That we are working in this together. As I said at the very beginning, we want the young man who is about to enlist to recognize that there is value that even though we have vigorous debate here, they by putting on that uniform make it possible to have this vigorous debate here, because they are challenging others to make sure that we have those—

Mr. ENGLAND. Well, we welcome it. But I would tell you if you talked to our men and women in uniform who serve, they would tell you, I think they would disagree with you. They would tell you they have made immense progress. And they are doing wonderful things—

Mr. BECERRA. Mr. Secretary, don't get me wrong, I agree with what—

Mr. ENGLAND. So—

Mr. BECERRA. I would disagree with me if I said that, but I didn't say that. They have made immense progress. They are men and women on the ground with boots on it, they have made the progress. Absolutely.

I don't know if we can say that we have made commensurate progress given what they have done with the orders that they have been given. Someone should give us a little bit better order, because for us to be spending so much to not to be able to tell them when they are going to have to or when they are going to have a chance to come home after that third or fourth tour of duty. That is where are failing is.

And so what I am saying to you, I have full confidence in what our men and women in uniform can tell us. I can't say that our policy makers and military thinkers have held up their end of the bargain.

So with that, Mr. Chairman, I thank you for the opportunity to speak.

Chairman SPRATT. Mr. Secretary, I understand you need to be back at the Pentagon for a meeting at 12:30?

Mr. ENGLAND. I do. I don't know what—I have sort of lost track of time. But I have—what is the time now?

General CARTWRIGHT. 12:15.

Mr. ENGLAND. 12:15. No, so if I am here until—I actually planned to be here until 12:30 but at 12:30, Mr. Chairman, I do need to leave.

Chairman SPRATT. That is great. Ms. Hooley.

Ms. HOOLEY. Thank you, Mr. Chair. Thank you, Mr. Secretary, for being here. I am going to quickly go through five questions. You can answer as many as you can in that time period, but I would like a written response to those that you don't get to.

Mr. ENGLAND. Certainly.

Ms. HOOLEY. The first question is, I have been on Budget Committee before when you have come in with a budget that is really under what we expect to expend. I mean you have got a \$70 billion request. We keep doing supplementals. I would like to see the what you think the war is going to cost us for the next year and actually have that number in the budget as opposed to a budget number that we know we are not going to be able to—it is not going to be accurate and we are going to need a lot more.

Second question is, the Department proposes to increase the TRICARE fees for military retirees. I think that contradicts the notion that this is a shared sacrifice during time of war. Well, the men and women have already made that sacrifice and this proposal asks them to once again sacrifice. Do you think this policy is fair, especially during the time of war?

Question number three is, the Commission on the Guard and Reserve issued a report January 30th, that concluded the U.S. military isn't ready for a catastrophic attack on this country. It said the National Guard is ill trained and ill equipped to handle the job. It says our military does not have sufficient trained ready forces available to respond to a chemical/biological or nuclear incident. They reported that there are even fewer Army National Guard units that are combat ready than just a year ago, which was only 88 percent.

What will it take to turn this readiness problem around? And what specifically does the Defense budget do with regard to resolving this issue? And will significant funding commitments be needed for 2009 and beyond?

Question number four: Mr. Secretary, due to equipment not being rightfully transferred back to the States, and I will use my State as an example. The Oregon Guard units lack of supply of trucks, equipment, and people is around 50 percent of capacity. Our Governor is dealing with flood season and soon thereafter fire season. We know this is going to happen in Oregon. Because of the DODs policy of not returning what should rightfully be at our State's disposal, my State doesn't have the equipment or the troops it needs to fully be prepared for these likely events.

Mr. Secretary, when is the equipment going to be returned to our States?

And the last question is, last year we authorized and mandated establishment of a national reintegration program entitled Beyond the Yellow Ribbon Program. And it is very different for a guardsman or a guards woman coming home where they are dispersed, their buddies aren't there, they don't have a base, they don't have medical facilities. And reintegration is incredibly important for our returning Guard and Reserve.

I want to know when we are going to get this program started. We need the support staff in the States. We need an allowance for the guards people when they come home as opposed to a couple of days, as they look for jobs, find out what educational opportunities are, and get reacquainted with their families. I think a reintegration program is incredibly important. We already have nine started in Oregon and Minnesota, I think, have been the two examples of how to do this. And I have been very involved in that.

So I would like to know when Beyond the Yellow Ribbon Program is going to start. And if you would be willing to embed an experienced guardsman on your staff to be a liaison to this program and for all other matters of support to reserve component servicemembers and their family in our geographically dispersed and uniquely challenging environment.

So you have 20 seconds to answer any question you can.

Mr. ENGLAND. So I will just comment. I will just comment, but we will get you answers too. So if I can, number two. Actually I just can't remember what number one was. Number two was the co-pay.

Ms. HOOLEY. Right.

Mr. ENGLAND. Why is it the people retired. There is already a co-pay. It hasn't been updated since 1996. So the request was to make this consistent with inflation, basically. And it didn't apply to active duty. It didn't apply to people over 65. It applied to people typically retired with a job.

And so that was a way to try to constrain the budget, which is otherwise going out of sight on medical care. We will answer more. CBNR. We do not agree with the findings of the Commission. We agree with many of their findings. There were 95 recommendations in the second report. The Secretary has directed a group to look at all that. But I don't believe that, frankly, National Guard Bureau would agree with that conclusion, because we have equipped a lot

of the guard units that deal with that issue, but we will look at it and come out more definitive when that review is completed.

National Guard. We are putting a lot of equipment. We met with the Governors just the other day and Steve Blum, had General Steve Blum with me. I think when it comes to trucks and all those things, I do not think there is an issue in terms of dealing with natural disasters and we have funded that. Trucks there is compacts between States. I mean trucks, obviously, can drive one State to the other. So I think there is a general concurrence that that is really not a major issue. But we will address the specific numbers with you.

Ms. HOOLEY. I would like you to do that, because——

Mr. ENGLAND. And the——

Ms. HOOLEY [continuing]. If you talk to our Governor and our guards they say it is a real problem.

Mr. ENGLAND. We will follow up. And I will have the National Guard Bureau do that. The Yellow Ribbon Reintegration Program has come out with the NDAA this year and we actually had 83 mandates from the National Defense Authorization Act. This was one of those to go do. It is obviously not in the budget, because it just came out. We will address the Program when we are putting the structure in place. But then I will comment again, when we do that we have to find the money from somewhere. As the year goes on it gets hard to do. We are almost halfway through this fiscal year.

So as we juggle accounts it gets more difficult as time goes on. It is an important program. So we are going to do it. But it just gets hard to do.

Ms. HOOLEY. It is a relatively small amount of money for a program that really means a lot to our people coming home. It is a critical program.

Mr. ENGLAND. I understand. No, look, I understand. I agree. I mean it is a good program. We are going to do it. I said we are going to do it. We are putting the structure in place to do it, but I only comment again, I mean it is one of a lot of other mandates that were not in the budget. And so we just have to find money to do it and it gets harder as the year goes on. That is my point, particularly when we are still trying to juggle money in other accounts.

But we will get you a more specific answer on all five of those.

Ms. HOOLEY. Thank you.

Chairman SPRATT. Ms. Hooley, we have got to move on.

Ms. HOOLEY. I am done.

Chairman SPRATT. Thank you. Mr. Allen.

Mr. ALLEN. Thank you, Mr. Chairman. Secretary England, thank you very much for being here. General Cartwright and Under Secretary Jonas, thank you all for being here.

The U.S. Navy has stated that the nation needs no fewer than 313 ships to respond to threats to our national security. But if you look at what we budgeted for ships over the last few years, we are not even close to building at a rate which will get us to that particular goal.

With the Navy hoping to get that to that goal by 2024 we need to be building 12 ships a year, but the President's budget this time

has only eight ships being funded. And my question, first question is, do you disagree with the Navy's goal of and its need for getting to a 313 ship Navy?

Mr. ENGLAND. No, I don't.

Mr. ALLEN. How and when are you going to be able to get us to a place where we are closing in on that goal instead of falling farther behind?

Mr. ENGLAND. Sir, Congressman, I think where the Navy has fallen behind to that number is large in the area of Littoral Combat Ships because I know they planned to buy 55. They had some set backs with that program, but they are still pursuing this. So that is a reasonable portion of those ships. And when we tried to come out with an approach that we could have a more affordable ships along with the more expensive so that there would be a right mix to satisfy that requirement.

So Navy is on the track. That is their objective. We do not disagree with the objective. But they have had trouble, frankly, getting started. I understand that they have now turned on the new destroyer. I believe they have put that recently under contract. And hopefully get Littoral Combat Ships squared away and increase in the submarines.

So they are in the line now to increase. That said, the budget I believe this year is \$14 billion. It is a lot more than when I was back Secretary. So they have increased the budget, but the cost has gone up. So they still have a little bit of a hockey stick in the out years and that will have to be dealt with.

Mr. ALLEN. Yes. From my review of the budget, I mean I don't see that LCS Program, first of all, they are small ships. They don't sustain the ship building industry the way the larger ships do. But they also, you know, they are not in the budget as I recall at a level to get us to 313 ship Navy by 2024.

I understand that by 2010 China will have almost twice the number of submarines, not the same capability, but almost twice the number of submarines as the United States. And their Navy will surpass ours, in numbers again, not all its capability by 2015. And Russia's target is to be the second largest navy in the world.

My question is, how can you expect us to get to a place where we are competitive in this area if we don't substantially and quickly ramp up our ship building account. And last year the House did that. They increased the ship building account by \$3 billion. The Senate wouldn't go along so we wound up with about \$300 million, I believe it was, over funding for the year before. But how are we going to ramp up that ship building number, particularly with the conflict in Iraq taking different estimates, \$10 to \$12 billion a month.

Mr. ENGLAND. Well, I mean Iraq doesn't come out of this base budget and the procurement accounts have gone up. The ships cost have gone up significantly so the Navy, I know and the destroyer now has a limited in terms of the cost of that ship because it is about twice what the prior ships cost.

My view is this, is they are going to they just have to bring the Littoral Combat Ship along to get a mix of vessels, otherwise it just will be unaffordable, sir. I mean they are going to have to have a mix of ships if they are to get to that number with any kind of a

reasonable budget. I mean otherwise the costs will just be too much.

Mr. ALLEN. And coming back, finally, just to the cost of the conflict in Iraq. It has to be true, Mr. Secretary, doesn't it, that the spending \$500 billion so far in direct cost for the war in Iraq has diminished the amount of money available for ship building?

Mr. ENGLAND. Well, Mr. Allen, our base budget is going up. I mean this year our base budget is up \$35 billion independent of the war in Iraq. So the Navy budget went up this year. I mean we were up not only inflation, but five percent above inflation. So the base budget and procurement accounts have been going up. I mean basically the problem has been not that the budget—\$14 billion I mean again back when I was Secretary of the Navy, wow, that just seemed like a huge amount of money back then because our budgets were much smaller.

Mr. ALLEN. But, Mr. Secretary—

Mr. ENGLAND. So I believe it is more of a cost of the—

Mr. ALLEN. Mr. Secretary, regardless of what is the base budget or not, it has to be the case that \$500 billion over five years for Iraq has diminished amount of money that might otherwise be available for Navy ship building, isn't that right?

Mr. ENGLAND. But it is not evident to me that if we weren't in this war that we would have another \$500 billion. I mean our base budget handles all of our needs except for the war cost, Mr. Allen. So I mean it is not evident to me we just have that added tacked onto our budget.

I doubt if it would have been. But in the meantime, our budgets have gone up and it is now our responsibility to find a way to fit within those budgets and do those the balance across the services and across ship building. That is a Navy challenge. They need to do that.

Chairman SPRATT. Thank you, Mr. Allen. Ms. Moore, we have got about three minutes to make a vote if we make it and the Secretary needs to be across the River. If you have got one or two questions.

Ms. MOORE. I just have one or two questions. One question, actually, and I will be very brief.

I am very concerned that the Department of Defense and Mental Health Taskforce last July indicated that the Department had was insufficient, their system of care for psychological health is insufficient to meet the needs of today's forces, their beneficiaries. And insufficient to meet their needs in the future. Thirty-eight percent of soldiers, 31 percent of Marines and 49 percent of the National Guard are showing psychological symptoms when they come home.

That this is a shortage of mental health clinicians. And so, sir, when you say that you know this is a very carefully designed budget and there is something like a .0006 percent increase for health care and others of my colleagues have talked about the co-pays, just a shortage of health care. I am very, very concerned that we are that our soldiers are getting short shrift.

Mr. ENGLAND. We—can I go quick to answer to it, because I know we all have to go. We have had a number of taskforces, we have addressed this. I would be pleased to send you the reports on what we are doing, but we now do health assessments for our

troops before anyone deploys, they do face to face when they come back. We are greatly expanding this whole area.

So I would be pleased to provide you information on that. But this is an area that is getting a lot of attention by DOD and VA. And we——

Ms. MOORE. Your budget request really doesn't reflect that you are shifting monies into this training and stuff. I mean there is only \$150 million increase in your \$23.6 billion health care budget.

And so I am worried that a lot of taskforces and I don't know exactly what you are going to do.

Mr. ENGLAND. We will send you the information so you will know that, Ms. Moore.

Ms. MOORE. All right. Thank you, sir.

Mr. ENGLAND. You bet.

Chairman SPRATT. Mr. Secretary, Madam Secretary, and General Cartwright, thank you very much for coming and thank you for your answers and your participation in the hearing this morning. We very much appreciate it.

Mr. ENGLAND. Mr. Chairman, you are welcome. It is good to be with you again, sir.

Chairman SPRATT. Thank you.

General CARTWRIGHT. Thank you.

Ms. JONAS. Thank you, Mr. Chairman.

Ms. MOORE. When you see me asking questions you always know it is the end. That is how you know. [Laughter]

Chairman SPRATT. I ask unanimous consent to members who didn't have the opportunity to ask questions of the witness be given seven days to submit such questions.

Mr. ENGLAND. Absolutely.

Chairman SPRATT. Thank you again.

Mr. ENGLAND. We will be pleased to respond, Mr. Chairman. Thank you.

[Whereupon, at 12:32 p.m., the Committee was adjourned.]